"TELUS is on track to lead the Canadian communications industry. We are evolving at a very fast pace because we understand that in this market, speed is of the essence and execution is everything."

> **Darren Entwistle**, President & CEO

TELUS®

www.telus.com

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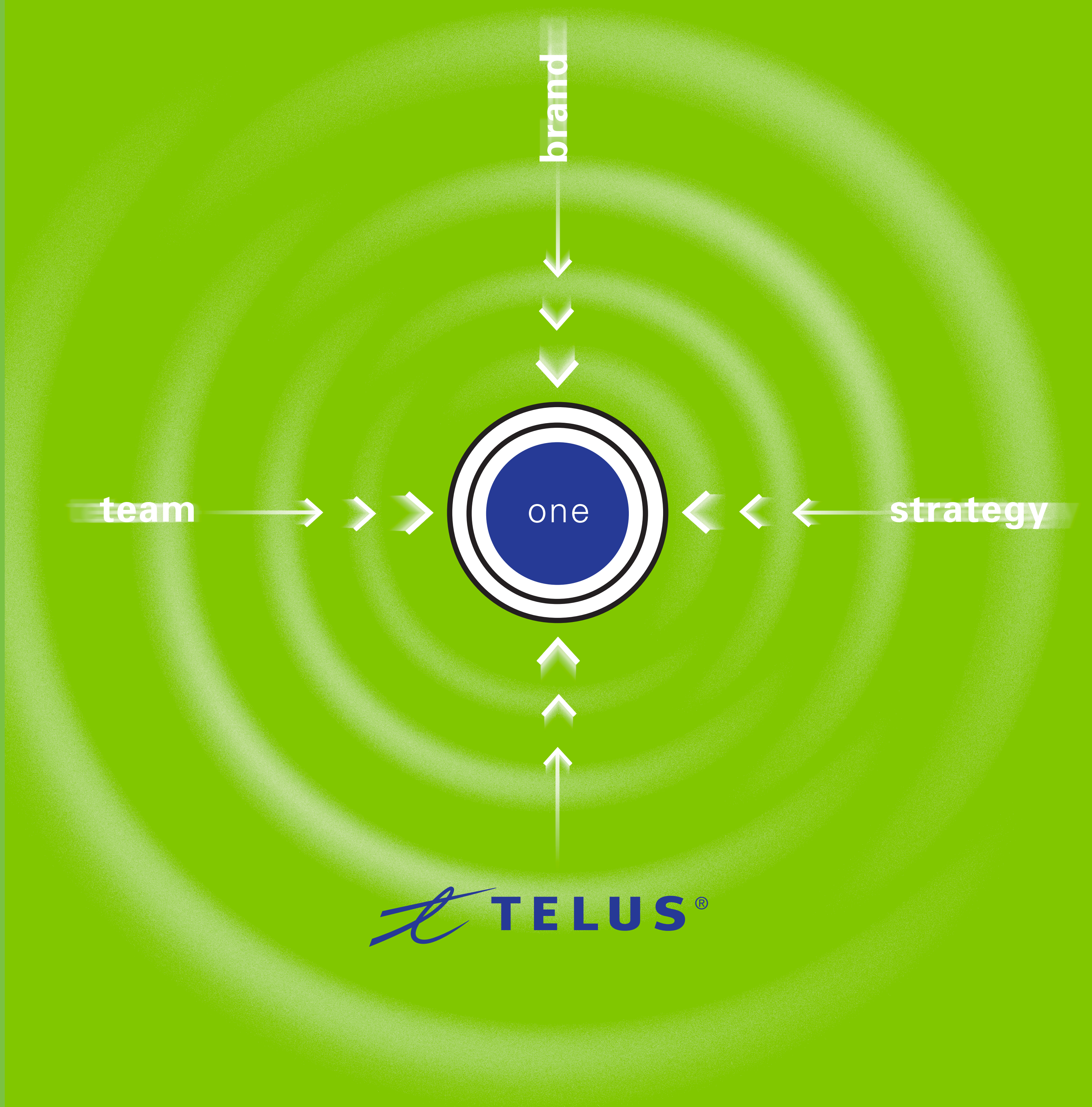
TELUS 2000 Annual Report

one team > one brand > one strategy



TELUS®

2000 annual report

> corporate profile

TELUS Corporation is a leading Canadian telecommunications company. We provide a full range of communications products and services that connect Canadians to the world. In Western Canada, we are the leading full-service provider of a wide array of data, IP, voice and wireless services to both businesses and consumers. We also provide national wireless service to both businesses and consumers. In Central and Eastern Canada, we are expanding by focusing on advanced business solutions that involve data and the Internet. Our strategic intent is to unleash the power of the Internet to deliver the best solutions to Canadians at home, in the workplace and on the move.

In 2000, we generated $6.4 billion in revenues and further strengthened our national position by purchasing QuébecTel, a full-service telecommunications provider in Québec, and Clearnet Communications Inc., a national digital wireless company.

See TELUS-at-a-glance on pages 15 to 17.

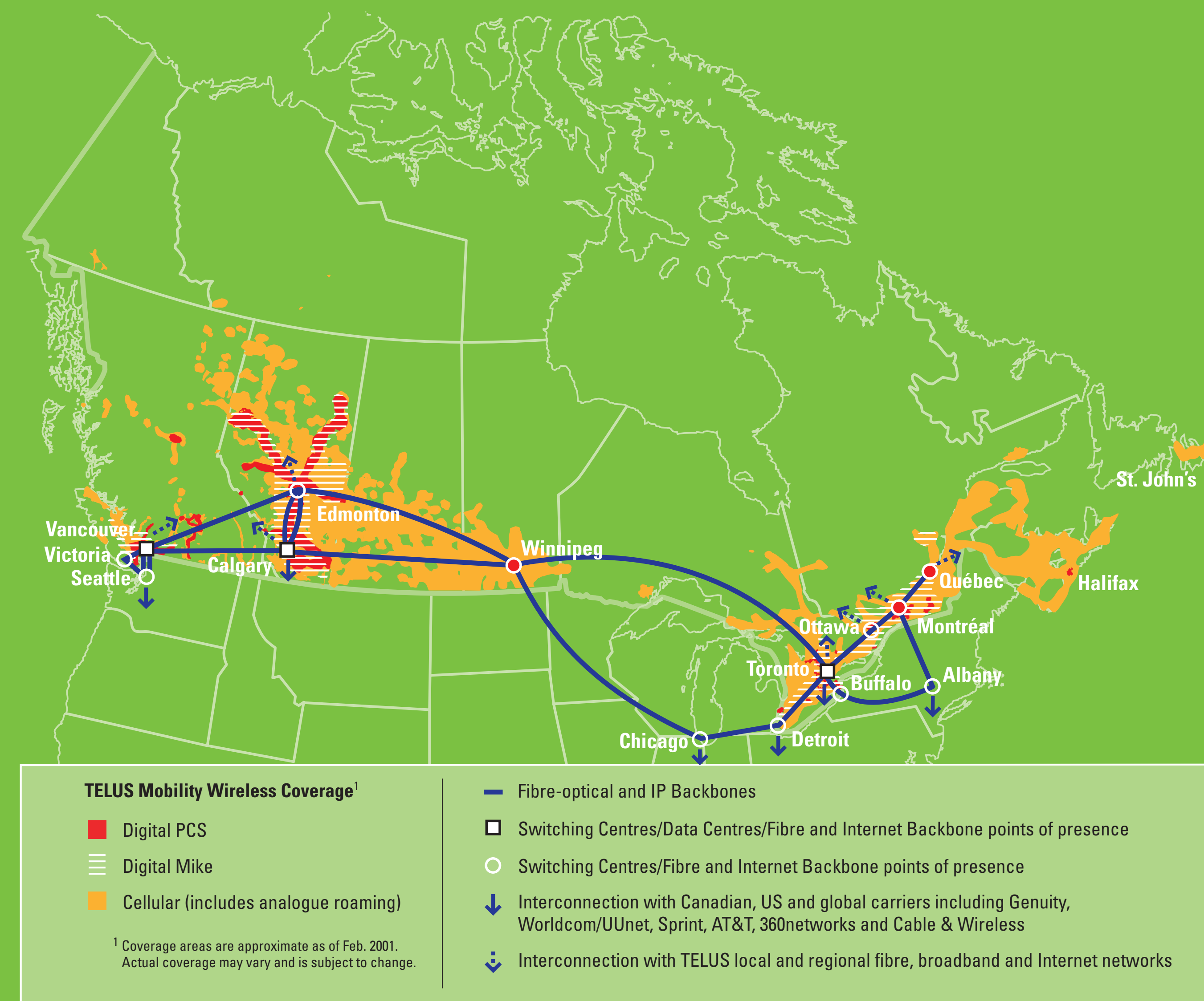
> table of contents

At TELUS we are constantly raising the bar. Not only are we achieving our goals but we are continuously finding new ways of providing solutions for our customers. Look for this symbol to see examples of how TELUS has hit the mark.

Forward-Looking Disclaimer
This report contains statements about expected future events and financial targets of TELUS that are forward-looking and subject to risks and uncertainties. Factors that could cause actual results to differ materially include items discussed in this report but could also include other factors such as general business and economic conditions, competition, technological change, regulatory action, taxation, and other risk factors that are identified from time to time in reports filed under applicable Canadian and U.S. securities laws. See page 49.

TELUS' National Infrastructure

> TELUS MOBILITY WIRELESS COVERAGE
> FIBRE-OPTIC BACKBONE
> INTERNET PROTOCOL BACKBONE



Key to the integrated services to be provided by TELUS are its networks and wireless coverage. TELUS' fibre-optical backbone routes carry Internet Protocol (IP) and data traffic between major urban centres in Canada, and to the U.S. With this, TELUS transmits large volumes of data, enabling clients and users of both the public Internet and private corporate data networks to benefit from 21st century communications technologies. TELUS now offers coast to coast wireless coverage to 23.7 million of Canada's total population of 31 million.

why invest in TELUS

We have a track record of achieving shareholder value and a new growth strategy focused on continued value creation in the future. In the last five years, a $100 investment in TELUS has grown to $215, representing a total annual return, including reinvestment of dividends, of 17 per cent.

TELUS should be a key part of your investment portfolio. Here's why:

> Our strategy is clear and focused – our "100-day plan," announced in October 2000, has set the strategy that will lead us into the future. We will act in a manner that is consistent with this strategy.

> Our strategy is designed to define high-growth – we are focused on the high-growth areas of data, Internet Protocol (IP) and wireless, which will represent an increasing share of our revenue and value.

> We are the largest "pure play" Canadian telecom investment opportunity – we will not be distracted and will only invest in business related to our core expertise.

> We have a talented management team – we have a renewed, high-powered management team, supported by a high-performance employee culture.

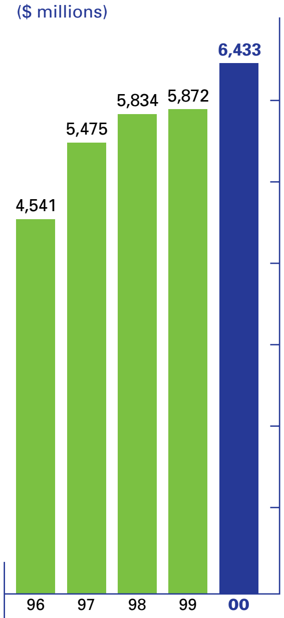
> Our strong telecom alliances enhance our core capabilities and build differentiation – we will continue to work with our world-leading partners, Verizon and Genuity, to provide our customers with the most advanced solutions.

> We have the financial strength to comfortably fund our growth ambitions – our strong balance sheet utilizes debt with investment grade credit ratings to efficiently lever shareholder returns, and provides TELUS with the financial flexibility to wisely invest in new growth opportunities.

> Our performance targets reflect our growth profile – we have set clear and measurable targets to drive value. In 2001, we aim to deliver revenue growth of 17 to 19 per cent and EBITDA growth of 11 to 13 per cent.

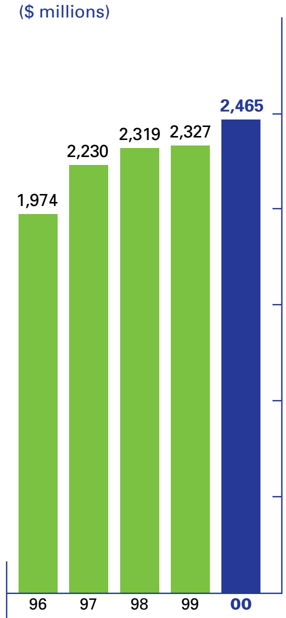
Investors enjoyed a one-year total return of 22% in 2000

REVENUE
($ millions)



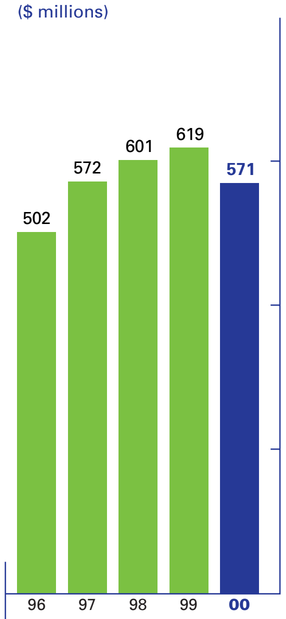
TELUS Mobility revenues accounted for 53% of the overall revenue growth in 2000

EBITDA[1]
($ millions)



The merger of BC TELECOM and TELUS delivered $199 million of cost savings in 1999 and 2000, exceeding our target. Such efficiency gains were somewhat offset by lower margins from national expansion.

CASH EARNINGS[2]
($ millions)



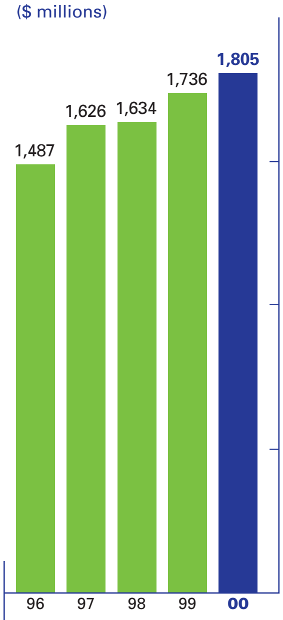
Cash earnings were lower in 2000 due to impact of financing costs from the Clearnet and QuébecTel acquisitions

(C$ millions except per share amounts)	> **2000**	> 1999	% Change
FINANCIAL			
Revenue	**$ 6,433**	$ 5,872	9.6
EBITDA[1]	**2,465**	2,327	5.9
Operating income	**1,277**	1,273	0.3
Cash earnings[2]	**571**	619	(7.7)
Cash earnings per share[3]	**2.31**	2.61	(11.5)
Earnings per share	**1.85**	1.46	26.7
Cash flow[4]	**1,805**	1,736	4.0
Cash flow per common share	**7.31**	7.34	(0.4)
Capital expenditures	**1,441**	1,199	20.2
Total debt, net	**7,980**	2,161	269.3
Shareholders' equity	**6,418**	4,308	49.0
Total assets	**16,415**	7,797	110.5
Book value per common share	**21.60**	17.91	20.6
Market capitalization of equity[5]	**11,658**	8,301	40.4

1 EBITDA – Earnings before interest, taxes, depreciation and amortization
2 Cash earnings – common share income before amortization of acquired intangible assets, restructuring costs net of tax, revaluation of future tax assets, and goodwill amortization
3 Cash earnings on a per share basis
4 Cash flow from operations before changes in working capital
5 Market capitalization based on year-end closing share prices and shares outstanding

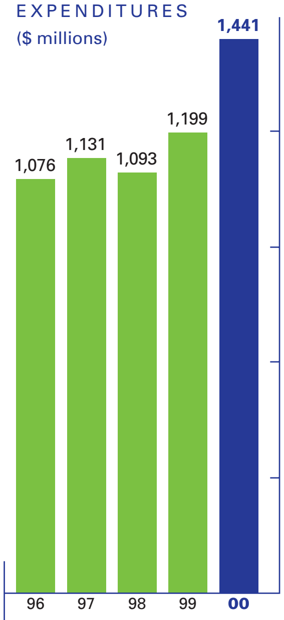
financial and operating highlights

CASH FLOW[4]
($ millions)



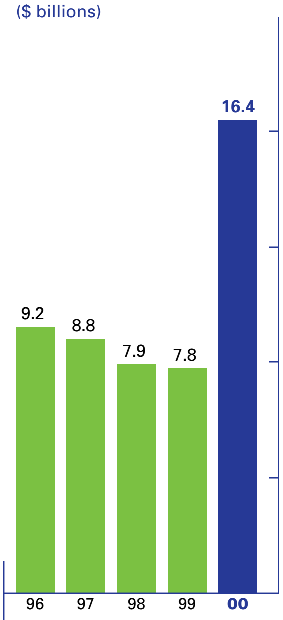
Over the past 5 years, cash flow has increased by a 5% compounded annual growth rate

CAPITAL EXPENDITURES
($ millions)



In 2000, data and wireless represented 53% of total capital expenditures

TOTAL ASSETS
($ billions)



Total assets more than doubled in 2000 due primarily to the acquisitions of Clearnet and QuébecTel

	> **2000**	> 1999	% Change
SHAREHOLDER STATISTICS			
Closing Share Prices (as at December 31)			
Common voting shares (TSE: T)	**$ 41.55**	$ 35.15	18.2
Common non-voting shares (TSE: T.A)	**$ 39.25**	$ 34.85	12.6
Common non-voting shares (NYSE: TU)	**U.S. $ 25.94**	–	–
Average Daily Trading Volumes (000s)			
Common voting shares (TSE: T)	**382**	241	58.1
Common non-voting shares (TSE: T.A)	**276**	98	180.9
Common non-voting shares (NYSE: TU)	**156**	–	–
Average Number of Common Shares Outstanding (millions)	**247**	237	4.4
OTHER INFORMATION *(as at December 31)*			
Access lines (000s)	**4,944**	4,551	8.6
Wireless subscribers (000s)	**2,156**	1,099	96.2
High-speed Internet subscribers (000s)	**84**	26	225.3
Total Internet subscribers (000s)	**497**	313	58.5
Employees	**26,770**	21,601	23.9

Acquisitions and organic growth contributed to a 10% increase in revenue

TELUS

< chairman's letter

In the last several years, the Chairman has written to you about the challenges and opportunities of the unprecedented pace of change in the telecommunications industry. As a Board, we have worked hard to have a consistent set of strategic priorities focused on building on our leading position in Western Canada and creating revenue growth in the rest of Canada.

We are pleased with the progress we made in 2000 toward the achievement of these priorities, beginning with the successful mid-year conclusion of our extensive international search for a new Chief Executive Officer. We chose Darren Entwistle to lead TELUS in executing our growth ambitions. Darren has instilled in our Company the more sharply defined growth focus and full-speed-ahead approach we had promised you. This was evident in his 100-day plan and the bold acquisition of Clearnet, both of which the Board unanimously supported, given their strong strategic fit.

While the executive search was underway, the Company concluded the $584-million acquisition of QuébecTel. This jumpstarted our entry into Québec by about two years and gave us a home team advantage in this critical market. With the purchases of Clearnet and QuébecTel, TELUS has truly become a leading national service company.

Today, TELUS is Canada's 19th largest company in terms of market value, trading on the TSE and the NYSE with a market value of more than $11 billion, revenues of $6.4 billion and EBITDA of $2.5 billion. Also, in last year's report to shareholders, I declared our intention to achieve a total annualized return of 15 per cent over five years. Last year, we surpassed our goal – achieving a 22 per cent total return on investment.

The Company is focusing on the growth markets of data, the Internet and wireless. The Board of Directors stands firmly behind this vision. We will focus our energies on areas of growth and opportunities available to support the Company in its evolution to a New Economy company. We will create more value for our shareholders by ensuring this strong growth, while at the same time maintaining TELUS' financial strength.

The Board remains committed to the highest levels of corporate governance. We have aligned the interests of the Board with those of our shareholders by committing Board members to an equity ownership position with a minimum market value of $100,000. We also report to you on our performance against the 14 Toronto Stock Exchange Corporate Governance Guidelines in the annual meeting information circular.

I extend my heartfelt thanks to the Board members who have either retired or stepped down. David Emerson, Norm Kimball, Richard LeLacheur, Harold Milavsky and Walter O'Donoghue contributed tremendous insight and value to our Company during their tenures. Going forward, the makeup of our Board will reflect our growth strategy, with an emphasis on greater geographic representation as well as having skills and knowledge suited for a New Economy company.

In closing, I want to thank each of you for your ongoing support and confidence in Team TELUS.

Brian Canfield

Brian A. Canfield
Chairman of the Board
February 14, 2001

> **Darren Entwistle** President & CEO

president & ceo's letter

Since joining Team TELUS less than a year ago, I have had the honour of working with a tremendously talented group of people and being part of a dynamic, future-focused organization. This has been a year of tremendous change. We have repositioned the Company to capitalize on the growth markets of data, IP and wireless. To do that, we completed the largest telecommunications acquisition in Canadian history; we restructured the Company in three months; and we listed on the New York Stock Exchange. While working hard on all of these initiatives, we exceeded our financial targets for 2000.

Our revenues in 2000 of $6.4 billion increased 10 per cent, as we completed two acquisitions – Clearnet and QuébecTel. EBITDA of $2.5 billion rose six per cent from strong revenue growth and cost containment in our voice and data business partially offset by higher costs for national expansion and a digital wireless migration program. Furthermore, we are now raising the bar to significantly higher targets for 2001.

When I spoke with investors the day after I joined the Company, I promised we would put together a five-part plan to catapult TELUS to a leadership position in the Canadian market. In this letter, I will set out the components of that plan:

- our strategy for high growth;
- our culture for competitive advantage;
- our customer-centric structure;
- our people who will lead the way; and
- our challenges and priorities that will provide the Company with much-needed focus for 2001.

This year's annual report theme "One Team, One Brand, One Strategy" succinctly describes this plan and how we will execute it over the coming year.

Change is at the heart of who we are at TELUS and what we do for our customers. We are exploiting new technologies to benefit our clients. We are building strategic relationships with our customers, our suppliers and our partners. We are helping people communicate more effectively and we are keeping businesses growing.

> Our Strategy is Clear

The new TELUS will exploit the convergence of data, IP, voice and wireless communications to the benefit of our customers.

Simply put, we are unleashing the power of the Internet to deliver the best solutions to Canadians at home, at work and on the move.

No one will do it better or faster than TELUS. We identified six strategic imperatives after a rigorous analysis of our strategic context, which included the regulatory environment, industry economics, the competitive landscape, customer requirements and TELUS' core competencies.

> TELUS' Strategic Imperatives

1. *We will offer integrated solutions* that anticipate and meet the evolving needs of our customers. Our solutions will exploit a highly fragmented marketplace where we face different competitors across a diverse set of products, markets and geographies.

We have restructured the Company to better meet our customers' need for integrated solutions. I'll provide more details in the pages to come. Here are some recent examples of integrated solutions we have created for our customers:

- We designed an end-to-end wireless field service solution for BC Gas, combined with long distance, terminal equipment and digital access services.
- TELUS successfully implemented a 20-year, $120-million Strategic Alliance Agreement with the Calgary Airport Authority. This enterprise-wide agreement provides an integrated array of TELUS solutions.

2. *We will build national capabilities* across data, IP, voice and mobility by leveraging the skills, resources and customer relationships in our home markets of Western Canada and Québec. We will use these strategic advantages as a springboard to attack the business market in Central Canada. The market opportunity to expand in Central Canada is key to our growth strategy. Customers are demanding national services, and scale is essential to be competitive.

   - We will light our newly constructed, cross-Canada IP backbone at the end of March 2001. It serves both wholesale customers on a national basis and significantly enhances our retail capability. Our network will span the nation – from Vancouver to Québec City, through Edmonton, Calgary, Winnipeg, Toronto, Ottawa, and Montréal.
   - In 2001, TELUS will complete the first phase of its metropolitan fibre build in the Greater Toronto Area. This fibre will allow TELUS to offer high bandwidth services within the Toronto core. It will be integrated with our national IP backbone and our extensive facilities in British Columbia, Alberta, and Québec.
   - This upcoming summer we will open two world-class Internet hosting centres that will be located on our national fibre backbone and will provide Canadian businesses with Internet hosting capabilities that will be second to none. They will be located in Toronto and Calgary, and will provide the extreme reliability, security, scalability and high performance demanded by our customers for their mission-critical e-business solutions. These premier Internet hosting centres will form the new "switching fabric" upon which the business of the new millennium will be based.

3. *We will partner, acquire and divest* as appropriate to focus on our "core" business and to accelerate the implementation of our strategy in a financially prudent manner. It is not necessary to own and/or build all of our capabilities. Discriminating capital markets since late 2000 means that the financial strength of TELUS presents us with an attractive window of opportunity relative to smaller undercapitalized competitors.

- We acquired national digital wireless company Clearnet in October 2000, becoming the leading wireless provider in the country, and enabling TELUS to own the convergence of data, IP and wireless. This acquisition provided TELUS with a national wireless footprint and growth platform overnight and enabled us to accomplish one of our key priorities within two months of setting the corporate strategy.
- We are also expanding our data and Internet capabilities by working in partnership with Genuity. We are committed to becoming a leading provider of Web hosting, e-commerce and Voice-over-IP (VoIP) solutions.
- More recently, in January 2001, we acquired the data network and facilities management business of NWD Systems (Calgary) Inc. NWD provides local area network (LAN) monitoring, virtual private networking (VPN), Web hosting and client server consulting.
- We are exploring the potential sale of TELUS Advertising Services and other assets and businesses that do not directly support our strategy of becoming a leading national data, Internet and wireless growth company.
- Late last year, we announced the sale and lease-back of three of TELUS' major office buildings for a combined total of $192 million.

4. *We will focus relentlessly on data, IP and wireless growth markets* with the objective of building scale and differentiation by integrating our services into compelling solutions for our customers. As the leading telecommunications company in Western Canada, TELUS will build on its base to aggressively expand into Central Canada. We will concentrate on the business market, offering data, IP and wireless solutions for customers on a national basis. To be a growth company, TELUS must focus on growth markets. Over the next three years, Canada's wireless and data markets are expected to grow 17 per cent per annum and 31 per cent per annum respectively, whereas local and long distance voice revenues are anticipated to remain relatively flat.
   - More than 40 per cent of our $2-billion-plus 2001 capital program is being spent outside the West; and 70 per cent is directed at the growth part of our business – data, IP and mobility.
   - We are the largest Internet Service Provider (ISP) in Western Canada, with approximately 400,000 subscribers; we are investing $500 million over the next five years in high-speed Internet technology, including $190 million in 2001 alone.

5. *We will attack the market as a united team*, under one brand. Our single identity in the market is essential to our approach of providing our customers with solutions rather than stand-alone products. This single identity contrasts well against the confusing corporate structures and brand proliferation that exist in the marketplace. We will approach the market with a consistent TELUS identity and we will not duplicate resources and expertise.

- We began running our first television commercials for the new TELUS Mobility in January 2001. They blend the fresh and friendly Clearnet legacy with the strength and quality of the TELUS brand. The full ad campaign includes French-language TV, print and outdoor ads. The conversion of the Clearnet identity to TELUS Mobility will be fully implemented by April 2001.
- On April 1, 2001, QuébecTel will be renamed TELUS Québec.

6. *We will invest in internal capabilities* – most particularly our people. We will support and encourage personal growth and development because we believe this is a fundamental right of every member of Team TELUS.
    - We are working to give our people the tools they need. Work is underway to Web-enable the organization. As well, we are implementing an information technology roadmap that we believe will be a key initiative that will transform our business.
    - In March, the Company will launch a plan called Team TELUS options. This plan is designed to ensure that employees' personal wealth is aligned with the value of the Company. The plan grants 300 stock options over a three-year period to all TELUS Team members who do not currently participate in an existing stock option plan. Team TELUS options represent an initiative to support a more entrepreneurial team-oriented approach aligned with the interests of our shareholders.

> Our Culture and our Values will Guide our Way

Culture can be a competitive advantage in an industry characterized by fierce competition. Growth depends on performance – individually and collectively. At TELUS, a high-performance, decisive and fast-on-its-feet culture is at the heart of our growth strategy.

To develop this growth culture, our shared values underpin how we will work at TELUS and, by extension, what we achieve in the marketplace. Developed through the participation of 600 members of Team TELUS, our values govern the behaviours we believe are essential to our success. We strive to live these values each day and will continually assess our actions against these desired behaviours:

- *We embrace change and initiate opportunity*
- *We have a passion for growth*
- *We believe in spirited teamwork*
- *We have the courage to innovate*

These values are embedded in the objectives of our management community and they are explicitly included in the contracts for each member of the executive team. We have posted these contracts on our internal Web site to enable employees to see the executive leadership team's commitment to our values. Further, I have asked each member of Team TELUS to include the values in their 2001 objectives.

Of the 2001 capital expenditures, more than 40% is being targeted outside the West

> Our Market-Facing Structure Breeds Customer Intimacy

We are in the solutions business and we believe that our new market-facing structure will allow us to better deliver on that philosophy by anticipating and proactively addressing the needs of customers. More than ever before, we should be able to team up with customers to create the right combination of products and services to meet their needs.

Our new organizational structure is built for agility by empowering the people closest to our customers, markets and technology. As we consolidate and enhance our position in Western Canada, we will be aggressively pursuing market share in Central Canada. To deliver those solutions, we have structured ourselves around six market-facing, customer-focused business units.

The customer-facing business units will, by virtue of their market focus, operate as profit centres drawing essential support from the Business Capability and Enablement groups.

> Our People Make the Difference

The outstanding performance and extraordinary results of teams and individuals across the TELUS group of companies will be rewarded through what we expect will become one of the most progressive recognition programs in North American business. This program, which is called TELUS Team Machine, will recognize outstanding performance, extraordinary efforts and exceptional results that stem from our TELUS values.

TEAM MACHINE

Approximately 10,000 employees attended Igniter sessions in the past four months. These sessions are being held throughout the Company until the end of April 2001. Our goal is to explain the strategy, culture and new structure so that these changes can be absorbed, discussed and communicated effectively across the entire TELUS team.

Members of Team TELUS will have a personal development plan customized to their requirements. It outlines training and other development activities that will help team members achieve high performance on the job and desired career progression. The personal development plan is measurable. It represents a 50:50 responsibility between the individual and his or her line manager – and it marries the goals of the individual with the strategic direction of the Company. Personal development plans are living documents that champion the career aspirations of every member of Team TELUS.

Team TELUS options, TELUS Team Machine, the Igniter sessions and personal development plans are about commitment and investment in people, and help recruit and retain the right people.

Our executive leadership team is positioned across Canada. The executive leadership team has been designed for optimal strength, diversity and balance. It is comprised of: one-third incumbents who bring experience and continuity; one-third external appointments who bring fresh experience and perspective; and one-third internal promotions to recognize the best talent that resides within TELUS.

One external appointment merits special mention. Bob McFarlane, TELUS' Chief Financial Officer, brings a wealth of experience from his previous role as CFO and Treasurer of Clearnet. Bob's sharp financial acumen will be invaluable as we refinance our debt, expand our investor relations effort, sell off non-core assets and vigorously pursue further acquisitions in the data/IP sector.

> **Our Key Priorities for 2001 are**

Investing in our People

We will invest in the personal development of our people, building a high-performance culture that enables TELUS to exploit developments in the market and technology. A key task in 2001 will be to successfully complete a new collective agreement with our unionized team members that is in keeping with the new competitive dynamic and reflects the value we place on our most important resource – our people.

Exceeding the Expectations of Customers

We will outperform competitors by creating greater awareness of TELUS' solutions and increasing customer advocacy and loyalty. Our challenge will be to keep customer satisfaction high while we implement our new customer-facing organization structure and integrate Clearnet with TELUS Mobility.

Exploiting our Leadership Position in Mobility

We will extend our leadership position in the Canadian wireless market by successfully offering the best wireless solutions for business and consumer customers across Canada.

Becoming Canada's Leader in Data and IP

TELUS needs to move quickly to develop the national data and IP capabilities that are essential to our growth strategy. We will seize the leadership position in advanced communications services, expanding aggressively our data and Internet capabilities. We will invest in our internal capabilities and consider appropriate acquisitions. We will also leverage our partnership with Genuity to provide our customers with holistic WAN/LAN/IP converged solutions which will differentiate us in the marketplace.

Completing our Evolution to a Growth Company

We believe that what gets measured, gets done. We believe that to be a growth company TELUS must generate double digit growth in revenue and EBITDA over the next three years. In 2001, we have set a number of clear and measurable targets for us to achieve, including growth in revenue of 17 to 19 per cent and in EBITDA of 11 to 13 per cent.

We have targeted 2001 revenue growth of 17-19 per cent over 2000 levels

Improving our Financial Position and Investor Relations

In 2001, we will seek to complete a major debt refinancing and broaden our investor relations program into the United States, to build upon our recent NYSE listing.

The next twelve months will be an exciting, albeit challenging, period for our Company and our team. We are setting the stage for success to become a leader in the North American communications industry. Consider the following:

We operate as a full-service telecommunications company within an efficient and streamlined regulatory structure. We have a clear and cogent strategy, the best management team in the industry, the power of shared values, the strength of more than 26,000 highly committed people, and action-oriented priorities. We represent the largest, purest telecommunications investment in Canada and we have the financial strength to pursue our growth strategy. Moreover, we have put in place a customer-facing structure that will help build shareholder value by enhancing our ability to offer a bundle of services to each distinct customer segment.

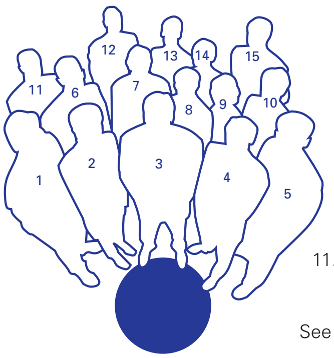
In closing, I want to give a special word of thanks to the entire TELUS team for their hard work, dedication and focus on the customer during a year of change and challenge. I also appreciate the support of our shareholders in the last year as we completed two major acquisitions and accelerated our transformation into a growth-oriented company.

Cheers,

Darren Entwistle
Member of the TELUS Team
February 14, 2001

executive leadership team

Our new team is comprised of 1/3 each of incumbents, external appointments and promotions



1. Paul Mirabelle 2. Judy Shuttleworth 3. Darren Entwistle 4. Roy Osing 5. Barry Baptie 6. Mark Schnarr 7. John Maduri 8. John Chang 9. Patricia Bowles 10. Dan Delaloye 11. Joe Grech 12. George Cope 13. Robert McFarlane 14. Hugues St-Pierre 15. Jim Peters

See pages 88 to 91 for biographies.

2001 targets(1)

- Achieve revenue growth of 17 to 19%, bringing total annual revenues to more than $7.5 billion
- Generate earnings before interest, taxes, depreciation and amortization (EBITDA) growth of 11 to 13% to total more than $2.7 billion
- Realize $0.93 to $1.00 Cash EPS(2)
- Attract 500,000 wireless net additions, a 23% increase in total subscribers to over 2.6 million
- Continue to lead the Canadian wireless industry in terms of revenue growth and revenue per subscriber
- Hook up 95,000 new high-speed Internet subscribers, to more than double the total to 180,000
- Invest for long-term growth – $2.0 to $2.2 billion in capital expenditures plus $356 million for wireless licenses
- Invest in national growth with more than 40% of capital expenditures directed into Central and Eastern Canada
- Refinance a significant portion of the $6.25 billion short-term bridge bank facility with mid- to long-term maturities
- Divest non-core assets and operations to realize approximately $900 million to $1 billion

(1) These targets should be read in conjunction with the Forward-Looking Statements on page 49

(2) Cash EPS: Common share income before amortization of acquired intangible assets, restructuring and refinancing costs net of tax, revaluation of future tax assets, and goodwill amortization on a per share basis

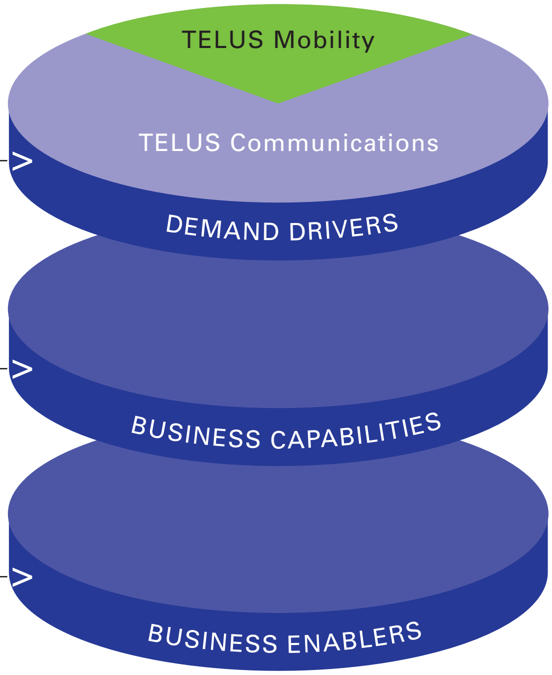
Starting January 2001, we changed our company structure to better anticipate and proactively address the needs of our customers right across Canada. The TELUS group of companies is structured as six market-facing, customer-focused business units, which draw their essential support from our Business Capabilities and Business Enablers groups. Our new structure is designed to deliver the right combination of products and services to meet our customers' needs.

> new

TELUS Mobility
TELUS Communications
Consumer Solutions
Business Solutions
Client Solutions
Québec
Global Trading & Partner Solutions

Business Transformation
Enterprise Marketing
Technology & Operations
TELUS Ventures

Communications
Corporate Development
Finance
Human Resources



The new TELUS Mobility

- A national facilities-based wireless provider with 2.2 million subscribers and covering a population of 23.7 million. Includes the digital PCS, ESMR (Mike™), wireless Internet, cellular and paging services of: TELUS Mobility's western-based operations; the national operations of former Clearnet; and the Québec-based operations of QuébecTel Mobilité
- Will efficiently develop future-friendly wireless solutions that are easy to sell, buy and use and that deliver clear value to our clients, channels, employees and shareholders

The new TELUS Communications

- In cooperation with TELUS Mobility, exploits the convergence of data, IP, voice, and wireless for the benefit of customers through the following business units:

  Consumer Solutions – provides complete high-speed Internet, voice, and entertainment services to households and individuals in British Columbia and Alberta

  Business Solutions – delivers innovative data, IP, voice, and advertising services solutions to small and medium-sized national businesses and entrepreneurs

  Client Solutions – brings customized voice, data/IP, Information Technology (IT) and e-business solutions to multinational large corporate and public sector customers

  Québec – focuses resources on the unique needs of Québec by offering targeted businesses and consumers comprehensive and integrated wireline telecom solutions, including data, Internet, voice, and directory publishing services – the wireless operations of QuébecTel are now part of TELUS Mobility

  Global Trading & Partner Solutions – targets needs of wholesale clients, including telecommunications carriers, resellers, Internet service providers, wireless communications companies, competitive local access providers, and cable-TV operators

> former

TELUS Mobility Wireless and paging services in British Columbia and Alberta and wireless resale services in Ontario, Manitoba and Saskatchewan, as well as national wireless service provider Clearnet Communications since October 2000, and QuébecTel Mobilité since June, 2000

TELUS Communications Local and long distance voice services in British Columbia and Alberta

TELUS Advanced Communications Data, Internet, information management and consulting services in British Columbia and Alberta

TELUS Integrated Communications Facilities-based competitor in Central and Eastern Canada providing data and voice services

TELUS Advertising Services Directory publishing in British Columbia, Alberta, Ontario and the United States

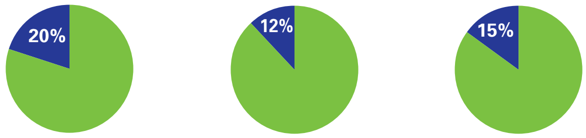
QuébecTel Voice, data, Internet, and directory publishing services in Québec – QuébecTel purchased June 2000

>TELUS Mobility

- Acquired Clearnet to become a leader in the Canadian wireless industry
- Led the Canadian wireless industry in average revenue per subscriber, total revenue and revenue growth – captured 40% pro forma of the total incremental revenue growth of the four major Canadian wireless operators
- Expanded pro forma[1] subscriber base by 27% to approximately 2.2 million subscribers
- Successfully introduced wireless Internet services embracing a wide range of content providers – approximately 56% of TELUS Mobility digital subscribers now have dot-com-ready phones
- Successfully launched prepaid services with 193,000 subscribers, about 9% of total customer base
- Expanded digital network coverage from 16 to 73% of the Canadian population, through both organic growth and acquisitions
- Clearnet executive and management retained in new combined entity
- Subsequent to year-end, acquired five 10 MHz licenses, covering major urban areas, in the Industry Canada spectrum auction which concluded on February 1, 2001. The licenses were acquired at an attractive valuation, and allowed TELUS Mobility to maintain its spectrum leadership position – up to 55 MHz in all of Canada's major urban areas

[1] Pro forma subscribers reflect results for TELUS Mobility, Clearnet and QuébecTel Mobilité

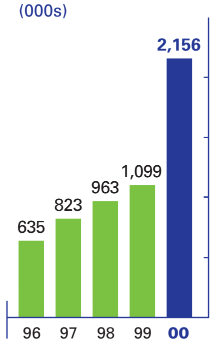
> share of TELUS Consolidated > actuals



Revenue	EBITDA	Capital Expenditures
$1.3 billion	$307 million	$223 million

> customer statistics

WIRELESS SUBSCRIBERS
(000s)



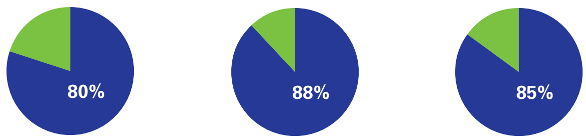
Mobile phone subscribers grew by 96% to 2,156,200 from a combination of organic growth and the purchases of Clearnet and QuébecTel Mobilité

Examples of products and services:
Postpaid and prepaid digital PCS (TELUS PCS and Pay & Talk), ESMR (Mike), wireless Internet, analogue cellular and paging services; equipment sales and rentals

>TELUS Communications

- Purchased 70% of QuébecTel, the second-largest telecommunications company in Québec, for $584 million, accelerating entry into Québec by two years
- Achieved $130 million of TELUS/BC TELECOM merger-related synergies for a total of $199 million over two years – exceeding our original target by 17%
- Negotiated significant national sales wins, including:
  - $100 million, five-year contract to provide national dial-up network to Technovision Systems Inc.
  - $25 million, three-year contract to provide Royal Bank with Interactive Voice Response and Computer Technology Integration infrastructure
  - $28 million contract to provide national voice and data communication services to Westcoast Energy Inc.
- Maintained western local and long distance market shares through price competitiveness and business contract negotiations. More than doubled residential bundle packages sold to over 800,000
- Achieved goal of 81,000 high-speed ADSL Internet subscribers in British Columbia and Alberta
- Demonstrated end-of-year momentum into 2001 by adding 35,000 new high-speed ADSL Internet subscribers in the second half of 2000, compared with 20,000 in the first half – a 75% increase
- Committed $500 million over five years to invest in ADSL capacity, accelerating the rollout of high-speed Internet in British Columbia and Alberta

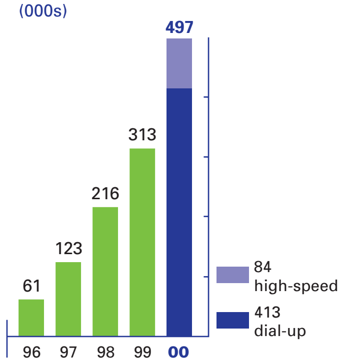
> share of TELUS Consolidated > actuals



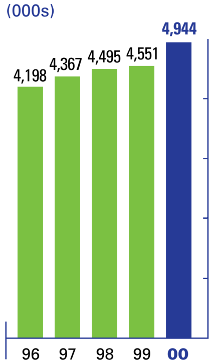
Revenue	EBITDA	Capital Expenditures
$5.1 billion	$2.16 billion	$1.22 billion

> customer statistics

INTERNET SUBSCRIBERS
(000s)



NETWORK ACCESS LINES
(000s)



Internet subscribers grew by 59% primarily from organic growth as well as subscribers acquired from the purchase of QuébecTel; network access lines grew by 9% from a combination of both

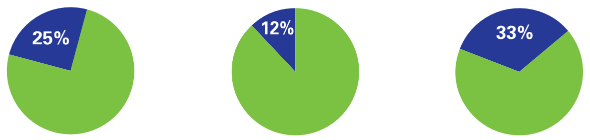
Examples of products and services:

Data – Private line, switched services, Internet services – dial-up and high-speed access, network rental, network management (LAN, WAN), and Web hosting

Voice – basic local and long distance phone service, enhanced services – such as Call Display and Call Waiting, sale and rental of telephone equipment and network rental to other service providers

Other – Directory publishing

> targets

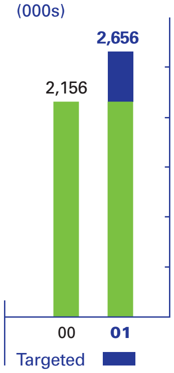


Revenue
$1.9 billion
(approx.)

EBITDA
$330 million
(approx.)

Capital Expenditures
$650 to $700 million[1]

WIRELESS SUBSCRIBERS
(000s)

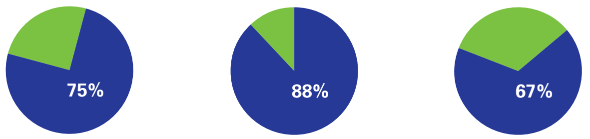


The popularity of wireless is expected to continue to grow significantly in 2001. We target adding approximately 500,000 new mobile phone subscribers

- Maintain industry-leading revenue growth through network expansion and digitization, improved distribution, and new products and services
- Focus on profitable subscriber growth rather than industry-leading net additions
- Successfully integrate western wireless operations in Alberta and B.C. with national wireless operations of Clearnet, and Québec-based wireless operations of QuébecTel Mobilité to leverage synergies and efficiencies
- Continue to adopt and deliver new wireless data products and services to capitalize on wireless Internet growth
- Exploit new products and distribution capabilities to target national accounts
- Manage churn by providing high customer care service levels

[1] Amounts do not include $356 million for wireless licenses won in the February 1, 2001, Industry Canada spectrum auction

> targets

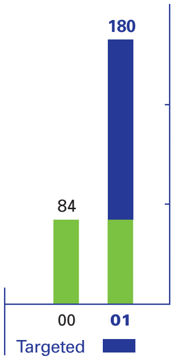


Revenue
$5.6 to $5.8
billion

EBITDA
$2.4 to $2.45
billion

Capital Expenditures
$1.35 to $1.5 billion

HIGH-SPEED INTERNET SUBSCRIBERS
(000s)



Due to expansion and continued demand of high-speed Internet we expect to more than double high-speed subscribers to reach 180,000

TELUS Consumer Solutions
- Rapidly expand high-speed Internet
- Increase bundle penetration rates and enhanced service offerings
- Create excellent customer experience through Web enablement

TELUS Business Solutions
- Help customers achieve success in Internet-world through provision of integrated solutions and managed services
- Defend and grow western-based revenue and subscriber base
- Capture market share in Central Canada

TELUS Client Solutions
- Focus on e-business, wireless, data and IP
- Build strong one-to-one customer relationships
- Capture market share in Central Canada
- Lever partnerships and alliances for technology and sales opportunities

TELUS Québec
- Focus on high-growth areas of data and IP
- Capture share in Québec business market
- Implement efficiencies through improving productivity and reducing costs

TELUS Global Trading & Partner Solutions
- Complete transition to highly competitive national wholesale solutions provider
- Develop product and international expansion capabilities
- Light the national backbone network to launch a suite of high-speed bandwidth and IP services, connecting customers city-to-city
- Lever partnerships to drive North American bandwidth and Internet backbone capability and improve U.S. connectivity

TELUS

Leading the way for TELUS Mobility is GEORGE COPE:

"I'm proud to support the team of more than 4,000 professionals across Canada that make up TELUS Mobility, the fastest-growing and highest-revenue wireless communications company in the nation. Uniting the wireless operations of TELUS, Clearnet and QuébecTel gives us the power to enhance our leadership position in the Canadian wireless marketplace."

TELUS Mobility team members in our Montréal office

Clockwise (from upper left): Claude Morin, Marie-Andrée Legault, Evens Rouzard, Martin Poirier and Caroline Labrosse

In 2000, the combination of **TELUS Mobility**, Clearnet and QuébecTel Mobilité created a national wireless telecommunications powerhouse. In fact, TELUS' October 20 acquisition of Clearnet was a significant milestone not only for TELUS but also for the Canadian telecommunications industry itself.

The transaction was the largest in Canadian telecommunications history and propelled TELUS overnight to the forefront of Canada's fast-growing wireless industry. We created a national wireless company that leads the industry in overall revenue, revenue growth, revenue per subscriber and wireless spectrum position.

The new TELUS Mobility ended 2000 with more than 2.1 million subscribers across Canada, pro forma annual revenue of more than $1.7 billion, more than 4,000 employees, and existing digital coverage of 22.6 million of the 31 million total Canadian population, which TELUS has licenses to cover.

> Creating the New TELUS Mobility

Building a national wireless entity able to pursue the high-growth market for national wireless voice, data and Internet services was a strategic priority for the TELUS group of companies. Acquiring Clearnet offered speed to market while averting the risks and time-to-market delays associated with building a greenfield, facilities-based digital wireless operation east of Alberta.

Clearnet brings a strong national wireless management team. TELUS successfully engaged Clearnet President and CEO George Cope and the rest of the Clearnet management team to lead the new TELUS Mobility. This experienced group had steered the evolution of Clearnet into one of the most successful wireless start-ups in North America.

Clearnet was an excellent strategic fit with TELUS Mobility. It operated digital PCS on the same Code Division Multiple Access (CDMA) technology platform as well as the unique Mike digital ESMR network. TELUS Mobility offered the most extensive network coverage, largest customer base and leading dealer based distribution capability in Western Canada, while Clearnet offered two state-of-the-art national digital networks, a rapidly growing customer base, and extensive established retail and dealer distribution systems on a national basis.

Combining Clearnet with TELUS Mobility provides TELUS with significant economies of scale and potential financial synergies. These include savings in capital expenditures (e.g. redeploying duplicate cell sites, better infrastructure pricing, etc.) and operating expenses (e.g. transmission back-haul and roaming), revenue synergies (e.g. roaming) and the potential to benefit from the shelter provided by Clearnet's tax loss carry-forwards. Already, TELUS Mobility has obtained concessions of approximately $400 million over five years from infrastructure suppliers.

> TELUS Mobility in Action

We are rapidly integrating the wireless operations of TELUS, Clearnet and QuébecTel Mobilité to form the new, national TELUS Mobility.

New TELUS Mobility captured 40% of Canadian wireless revenue growth

For Clintar Groundskeeping, a company offering landscape maintenance and snow removal services across Southwestern Ontario, keeping its employees in instant contact is essential.

"All of our employees are field workers, so a dependable mobile communications system is critical," says Clintar owner Mike Malleck.

Last year, Clintar purchased 75 of TELUS Mobility's digital wireless Mike phones, which integrate a digital phone, Mike's Direct Connect® two-way radio, paging and other services into a single handset. "Mike service allows me to be in instant contact with every single employee at all times," says Malleck.

All Clintar field workers have Mike's Direct Connect capability – eliminating the need to equip every worker with a cell phone – while supervisors and managers are equipped with Mike's Direct Connect and digital phone capability. Rather than hauling around both a phone and a radio, they simply carry a Mike phone.

"Thanks to Mike service, we're seeing an estimated savings of 30 to 35 per cent in our mobile communications costs," says Malleck. "I chose Mike's service as a cost savings measure, but I've found the convenience of instant contact to be just as important. That means I can dispatch snow removal operations right away, right from the middle of a snowstorm."

Mike Malleck, franchise owner, Clintar Groundskeeping

TELUS Mobility's distribution networks are being combined, allowing us to leverage TELUS' vast Western Canada distribution channels, Clearnet's broad national retail and dealer presence and QuébecTel Mobilité's dealer network in Eastern Québec while reallocating resources to further develop our channels in new markets nationwide.

TELUS Mobility operations across Canada have begun to operate under the strong TELUS brand name, while incorporating the best elements of Clearnet's renowned national advertising efforts. Well-known Clearnet products, such as Mike and Pay & Talk prepaid, are being retained nationally.

TELUS Mobility operated a CDMA network with Nortel infrastructure in Alberta and British Columbia, while Clearnet's national CDMA network operated on Lucent equipment. These networks are being rationalized, with TELUS Mobility's network supported by Nortel in Alberta and B.C., and Lucent infrastructure in the rest of Canada. This allows redeployment of Lucent equipment for, among other possibilities, the buildout of new markets outside Alberta and B.C. We are also investing in a significant expansion over the next 18 months to approximately match our digital footprint in Alberta and B.C. with that of our extensive analogue cellular network in those provinces.

Prior to the acquisition of Clearnet, TELUS Mobility customers roamed on the Bell Wireless Alliance's networks outside of Alberta and B.C., while Clearnet customers roamed, in non-digital areas of Canada, onto the Rogers AT&T Wireless analogue network. We expect to complete the migration of TELUS Mobility customers in Ontario and Québec onto our digital network in the first half of 2001, and to migrate most digital TELUS Mobility customers to our networks to displace analogue roaming shortly thereafter. We expect significant cost savings in reduced roaming and back-haul expenses. In future, we intend that Verizon Wireless will be TELUS Mobility's principal U.S. roaming partner on PCS and cellular, potentially lowering U.S. roaming costs, improving the competitiveness of roaming packages and increasing in-bound roaming revenue. Nextel will remain TELUS Mobility's U.S. roaming partner for Mike service.

> Maintaining our Leading Spectrum Position

After year-end, TELUS successfully acquired all five of the 10 MHz regional licenses on which it actively bid in Industry Canada's PCS spectrum auction. TELUS bids were approximately $356 million for licenses in Southern Ontario (including Toronto), Southern Québec (including Montréal), Eastern Ontario (including Ottawa), Nova Scotia/Prince Edward Island and Manitoba, with a total population of 17.4 million (based on 1996 statistics). These were the largest markets that TELUS Mobility was eligible to bid for, given the regulatory limitation of the 55 MHz spectrum cap, and were acquired at attractive valuations, particularly relative to prices paid in recently completed U.S. spectrum auctions. We now have approximately 55 MHz of spectrum in all Canada's major urban areas and have maintained our national spectrum leadership position.

The winning bidders in the PCS spectrum auction were mainly incumbents, effectively maintaining an up-to-four-player industry. With the competitive environment maintained, TELUS Mobility can be aggressive in expanding our national digital coverage and investing in our leading wireless Internet services and technology.

> Building on our Strong Growth

In 2000, TELUS Mobility[1] added 474,000 subscribers, bringing our total customer base to 2,156,200, a 20 per cent increase in net additions and a 27 per cent increase in our total subscriber base compared to 1999. Total pro forma revenues were more than $1.7 billion, making TELUS Mobility the leading wireless company in Canada in terms of revenue. We also led the Canadian wireless industry in revenue growth, with annual pro forma revenue growing by $346 million in 2000 compared to 1999, capturing a phenomenal 40 per cent of incremental revenue growth of the four major wireless service providers in the Canadian market.

TELUS Mobility has the largest CDMA footprint in Canada and, with our differentiated iDEN network, marketed under the Mike brand, we are the only iDEN ESMR operator in Canada. Our digital networks now cover 73 per cent of the Canadian population, up significantly from 16 per cent at the beginning of 2000. At the end of 2000, 57 per cent of our subscriber base was on one of our digital networks – believed to be the highest percentage digitization of any Canadian operator which also offers incumbent analogue cellular services. Of these digital subscribers, approximately 56 per cent were equipped with dot-com-ready phones, allowing those customers to take advantage of TELUS Mobility wireless Internet services introduced across Canada in 2000.

> **Moving Forward**

In 2001, we will continue to successfully integrate TELUS Mobility's national operations. We plan to activate approximately one million new customers in 2001 and contain churn on the subscriber base so as to yield approximately 500,000 net additions.

We will focus on profitable customer growth. We intend to continue achieving industry-leading revenue growth through network expansion and digitization, improved distribution, new national Internet products and services, and management of our PCS postpaid/prepaid mix. We plan to expand our digital network to cover an even greater proportion of the Canadian population, and to further increase the penetration of our subscriber base with dot-com-ready phones to ensure that an increasing number of our customers can benefit from our quickly expanding roster of wireless Internet services.

1 Pro forma numbers reflect combined current and historical results for TELUS Mobility, Clearnet and QuébecTel Mobilité for the full year 2000

TELUS Mobility – The Industry

In 2000, the Canadian wireless industry experienced a record 5.9 per cent penetration gain, bringing the penetration of wireless services across the Canadian population to 28.4 per cent. This compares to 22.5 per cent penetration at the end of 1999, which resulted from a then-record five per cent penetration gain over 1998.

To put the year 2000 net additions of 1.8 million in the context of overall industry growth, it took almost 10 years for the industry to add its first 1.8 million customers following the 1985 launch of wireless service in Canada.

Industry analysts generally expect robust growth in the wireless sector to continue over the next five years. Current estimates for wireless penetration in 2005 range from 57 to 70 per cent, representing a gain of 8.8 to 12.8 million new wireless subscriptions over this period.

It is considered likely that future wireless subscriptions will reach, or possibly even exceed, 100 per cent of the population over the longer term. While the addressable market for mobile wireless devices, excluding the very young and old, is in the range of 80 to 85 per cent of the population, it is possible for customers to utilize two or even more wireless devices. Making such penetration increasingly possible is the emergence of wireless telemetry applications providing machine-to-machine communications.

Our digital networks now cover 73% of the Canadian population

Leading the way for TELUS Consumer Solutions is DAN DELALOYE:

"I am excited about working with a large group of communications professionals to create a customer-focused culture from which we will lead the marketplace. We will deliver the most comprehensive product bundle in the marketplace, aggressively roll out high-speed Internet services, and engage the hearts and minds of the entire Consumer Solutions team by providing unbeatable service and value to our customers."

TELUS Consumer Solutions team members in our Burnaby office

From left to right: Sonja Lageweg, Alvin Chaudhary and Pamela Adamchuk

TELUS Consumer Solutions is the largest division in our customer-facing organization, currently serving 2.9 million accounts and representing more than $2 billion in revenue. Our strategy is clear – to deliver compelling and integrated data, IP, voice and wireless solutions to our consumer customers across Alberta and British Columbia.

> Rapid Expansion of High-Speed Internet

We are aggressively rolling out high-speed Internet service (ADSL technology) to meet the ever-increasing demand. Over the next five years, we plan to invest $500 million to ensure that more than 95 per cent of homes and businesses in 38 communities have ADSL access.

In 2000, we tripled the number of high-speed Internet subscribers in the West, to more than 81,000, achieving our target. Our goal is to surpass cable-TV companies in this market and ensure our customers have access to our higher-quality Internet product.

> Developing an Unbeatable Integrated Product Offering

We will deliver the most comprehensive integrated product offering in the marketplace to give our customers enhanced choice and greater flexibility. Offering these bundles of IP, wireless, data, voice and enhanced local services will help us meet individual needs and build loyalty across our market.

Our local enhanced services continue to be marketed successfully. Approximately 55 per cent of our consumer customers have at least one enhanced service and 24 per cent subscribe to one of our existing bundle packages (TELUS No Limits or TELUS Value Bundles).

> Creating an Excellent Customer Experience

Our customers deserve and expect an exceptional experience at TELUS, one that creates greater loyalty and high customer satisfaction. To help employees deliver that experience, we're focusing on process improvements and Web-enabling our processes to better serve our customers on a more efficient basis. As well, we're building Web channels to enhance customer choice in selecting communications services.

TELUS Operator Services continues to be rated as a world-class organization and won a Quality Award for excellence from the National Quality Institute. Operator Services now receives 25 per cent of its business from non-traditional services and, last year, generated $50 million in new revenue. It has also become the dominant wholesale provider of operator services in Canada.

In 2000, we launched *Connect, our consumer loyalty program, to reward and retain high-value customers.

> Engaging the Hearts and Minds of our People

Engaging and involving our people will be critical to delivering our strategy. We'll use a bottom-up approach to setting and working priorities and build greater understanding and commitment from all levels of employees. Last year, we effectively engaged Operator Services' employees using a focused employee engagement approach. Employees became involved in running the business by participating in setting priorities and determining strategies.

We've had great success in selling 480 thousand service bundles, doubling our subscriptions

Leading the way for TELUS Business Solutions is JOHN MADURI:

"I am looking forward to leading my national team in growing TELUS' presence and position in the segment of medium and small business customers. We will build on our strength in the West to deliver innovative data, IP, voice and wireless solutions that anticipate the needs of customers across Canada. Our integrated solutions will support our customers in growing in and profiting from the Internet economy."

TELUS Business Solutions and TELUS Mobility team members meet in our Calgary office

From left to right: Ken O'Connell, Paula Mano, Shane Armstrong, Selina Shivji and Terrence Lew

TELUS Business Solutions is focused on helping small and medium entrepreneurs be more successful. Our integrated data, IP, voice and wireless solutions enable businesses to better communicate and interact with their customers and suppliers and make the overall operation of their businesses more productive and efficient.

We currently serve over 250,000 business customers and account for more than $1.3 billion in revenue. Through continued growth in existing markets and rapid expansion into eastern markets, we are poised to significantly increase our exposure and contribution to business customers across Canada.

> Helping our Business Customers Achieve Success

We will support small and medium enterprises in the new Internet-enabled economy through the provision of integrated solutions and managed services. Recognizing that businesses this size may not have the necessary internal IT, telecom or other resources to fully leverage the power of the

Internet, we bridge the gap and help our customers benefit from the new tools and technologies in ways that enable them to reduce costs, be more productive and reach new customers.

We'll provide integrated end-to-end solutions to meet their needs. We'll develop new and effective distribution and sales channels to better reach and deliver those innovative solutions. And, we'll enhance customer care to give customers the support and service they need.

> Leveraging our Strength in the West

In 2000, about 20 per cent of TELUS' total revenue came from small and medium businesses and the bulk of new revenue growth came from new data and IP services. Also in 2000, our B.C. customers were introduced to *IntelliRoute®*, a family of enhanced business services designed to help businesses improve service, reduce costs and increase customer knowledge. We will grow our relationship with and revenue from existing customers by providing a broader set of data and IP products designed to support their business success.

> Capturing Market Share in Eastern Markets

We're building a critical mass of customers in Central Canada and are developing an attractive product offering that provides integrated solutions. We'll lever the branding support, distribution and customer relationships of TELUS Mobility to build a strong presence for TELUS Business Solutions. Our plan is to serve this market with a focused set of data and e-commerce products that leverage our growing network capabilities.

> Developing our People

A priority for our employees is to gain a solid understanding of the unique strengths and challenges of small and medium businesses. We'll also focus on effectively reaching our customers and delivering solutions in ways that ensure ongoing customer support.

Swift service through high-speed connectivity. That's one of the benefits the Alberta Motor Association (AMA) enjoys now that they subscribe to TELUS Ethernet ADSL, a managed Wide Area Networking solution.

According to AMA Director of Information Technology, Martin Kempton, "All our customers have benefited since we implemented ADSL services. With bandwidth capacity up to six Mbps for connections to our centre locations, our terminal and print traffic is transmitted over the network more quickly, resulting in better service at our front counters. When our staff need to investigate travel options over the Internet – such as hotels, tours, or other related travel material – the fast download times allow us to provide those answers while the customer is still in our office."

TELUS also manages the network for the AMA, providing network monitoring and support 24/7. This proactive monitoring means that any network problems are identified and dealt with immediately.

"With TELUS managing the network, they are quick to notify us when problems occur," says Kempton. "And any problems seem to be resolved faster than with our previous unmanaged network. We anticipate that our fast, consistent service will appeal to our existing customers, and allow us to attract new members."

Martin Kempton, director of information technology, Alberta Motor Association

> business solutions

From a base of 250 thousand customers we plan to rapidly expand eastward

Leading the way for TELUS Client Solutions is JOHN CHANG:

"I am part of a passionate and results-oriented team that is eager to take on the competition across Canada and bring innovative solutions to large companies and organizations. We have an enormous opportunity in front of us – an opportunity to expand and grow our business by answering our customers' demand for converged data, IP, voice and wireless solutions. By acting quickly and with focus, we can take full advantage of that opportunity to capture market share in Central Canada and achieve tremendous growth."

TELUS Client Solutions team members in our Toronto office

From left to right: Julie Wilson, Daisy Kourkoulakos, Matthew Ghassemi and Qing Qin

TELUS Client Solutions is dedicated to being "best in class" in serving the e-business, telecommunications and IT service needs of our clients. Our vision is to become the first choice of large private and public sector enterprises for integrated services. In 2001, we expect revenues to approach $1 billion.

> **Focusing on e-business, Data, IP and Wireless**

With a goal of leading the e-business solutions market in Canada, we're focusing on the high-growth areas of e-business, data, IP and wireless. Last year, Client Solutions launched TELUS Enterprise Solutions as the platform to execute the rollout of integrated services on a national basis. TELUS Enterprise Solutions will develop solutions that translate these business services into competitive advantages for our customers.

TELUS Enterprise Solutions, one of the largest providers of technology services in Canada, has a track record of providing comprehensive solutions to Canadian companies and has earned a leading market position in Western Canada. We intend to leverage our position in the West as we go to market with a superior technical capability, "best in class" customer service, and integrated end-to-end solutions.

> Building Sustainable Relationships

Our strategy is all about one-to-one client relationships that we can leverage for mutual long-term benefit. We're developing and sustaining relationships with key decision-makers to enable us to proactively address their challenging and ever-changing business needs.

In October, 2000, TELUS entered into a strategic partnership with EPOST* (a joint venture between Canada Post and Cebra, Inc., Bank of Montreal's e-commerce subsidiary), which provides a Web-based service that allows Canadians to view bills and make payments online. TELUS is investing $30 million over three years for a five per cent equity interest in EPOST, which gives us the opportunity to provide our services to EPOST partners.

TELUS Enterprise Solutions entered into a seven-year outsourcing agreement with insurance provider Lloyd's Canada Inc. for the provision of a broad range of business and IT services. Lloyd's is transferring their day-to-day business operating functions in Canada to TELUS. This relationship builds our presence in Eastern Canada by adding ninety new employees and a new office in Montréal.

> Capturing Market Share in Central Canada

Our growth strategy involves a combination of aggressive organic growth, acquisitions and strategic partnerships. Our objective is to establish the foundation in 2001 to capture a significant future share of the market in Central Canada. We're building upon our existing client relationships across Canada and pursuing alliances and partnerships to bring the necessary capabilities to provide end-to-end solutions nationally.

We're also leveraging our relationships with Verizon and Genuity to provide international capabilities, cross-border customer relationships and market-ready products and services. Working with Genuity, we are providing to an international customer an advanced data network that includes connections in Europe.

> Creating a New Organization

We're building a new organization that will provide a single point of contact to our customers. Our people represent a key differentiator in the marketplace. We are therefore committed to investing in, recruiting, training and retaining the very best.

Based in Toronto, HP Canada provides a wide variety of products and services to a diverse customer base. In order to provide customers and partners with a rich online experience that meets their wide-ranging needs, HP created its "next generation" Web site tuned to the Canadian market. TELUS worked with HP to rapidly set up and host critical Web infrastructure that now supports "hp.ca."

"We wanted to provide our customers with a robust Web experience and knew that TELUS could deliver," says Ralph McNeil, e-business manager for HP Canada. "We needed to work with a partner who could provide a set of services and capabilities consistent with HP's high levels of performance and customer service.

"TELUS was able to meet our very specific requirements, including quick time to market deployment. Overall, we chose to go with TELUS because it shares our desire to serve our customers on their terms."

Ralph McNeil, e-business manager, Hewlett-Packard (Canada) Ltd.

TELUS is investing $30 million in the EPOST growth opportunity

Leading the way for TELUS Québec is HUGUES ST-PIERRE:

"TELUS Québec's objective is to become Bell Canada's chief competitor for customers in the Québec business market. We currently have five per cent of the overall market in Québec. We are aggressively attacking the remaining 95 per cent with the help of our dynamic people. Capturing a mere 10 per cent of Québec business will triple our business volume. I firmly believe TELUS Québec will be an active player in helping Team TELUS realize its business vision."

TELUS Québec team members in our Rimouski office

Clockwise, from top left: John Smith, Jocelyne Gagné, Marie-Josée LeBlanc, Sonia Beaudoin, Raphaël Chassé and Carl Bussières

TELUS Québec currently operates more than 300,000 lines serving residential and business customers in the Eastern Québec regions and generates revenues of $377 million. The acquisition of QuébecTel by TELUS on June 1, 2000, was a tremendous accomplishment. The $584-million transaction accelerated TELUS' entry into Québec by about two years and provided a solid customer base, experienced employees and deep market knowledge. It also freed them to aggressively pursue growth initiatives across Québec that were previously limited by its foreign-owned status.

> Pursuing Growth Opportunities

With a long-term vision of becoming a leading communications provider in Québec, we are pursuing a growth strategy that focuses on data and IP services.

TELUS Québec is continuing to target business customers. Aligned with TELUS' overall strategy, innovative solutions are being developed for the Québec market to provide customers with integrated data, IP, voice and wireless services.

TELUS Québec recently developed an integrated solution for Americ Disc, one of North America's largest independent compact-disc manufacturers. TELUS Québec put a network in place to link Americ Disc's plants and service centres located in Canada and the United States. TELUS Québec manages the network and provides Web hosting as part of an innovative solution.

> Implementing Efficiencies

Improving productivity and reducing costs remain a key focus for TELUS Québec. Working with TELUS Business Transformation, we will be focusing on opportunities to increase efficiencies to thereby increase our margins.

We also created Versalys, the consolidation of four subsidiaries, to offer a broad range of e-business services to business customers.

> Expanding across Québec

We're increasing our presence in major centres like Montréal and Québec City with the addition of sales and customer service management and employees.

On the network side, we have established an IP network to offer voice and digital services using state-of-the-art ATM and SONET technologies. This network reaches more than 90 per cent of business customers in Québec and our fibre optic network links six of the largest cities in the province.

> Developing our People

TELUS Québec has a dynamic team of people dedicated to providing innovative solutions and pursuing additional growth in the business market.

To encourage employees to gain additional knowledge in the emerging world of data applications, we implemented an employee training program called Télécom Modular Training. The program gives employees an opportunity to become more knowledgeable in the world of data. To date, more than 400 employees have taken advantage of the program, which is offered through the Internet or educational institutions.

QuébecTel Mobilité achieved a 63% increase in wireless subscribers in 2000

Leading the way for TELUS Global Trading & Partner Solutions
is JOE GRECH:

"It is really exciting to be leading the Global Trading & Partner Solutions team in this time of massive change within the Canadian market and within TELUS itself. With the demise of Stentor, the emergence of high bandwidth and access solution demands and the opening up of the international marketplace, TELUS is in a very attractive position to drive its own destiny. We are creating a distinct business-focused team to serve entrepreneurial service providers and carriers – customers who will be a major source of growth, scale and innovation for TELUS."

TELUS Global Trading & Partner Solutions team members in our Vancouver office

From left to right: Marcia Pilon, John McDonald and Carol Mah

TELUS Global Trading & Partner Solutions provides innovative and integrated solutions to national and global service providers looking for IP, data, bandwidth and voice services into and within Canada. Accounting for revenues in the range of $700 million, we serve a variety of customers including telecommunications carriers, resellers, ISPs, ASPs, and local access, wireless and cable-TV providers.

With an international and highly competitive marketplace, and the worldwide focus on data, IP, and Internet services, it is increasingly difficult to characterize our customer base in traditional voice service terms. Our "carrier" customers have ISP needs and traditional ISPs are developing "carrier" capabilities. Our customers are offering services to their end-users worldwide and are seeking cost-effective, integrated, leading-edge solutions that effectively combine data, Internet, bandwidth and voice services.

We're developing and marketing wholesale capabilities on a national basis, and expanding our international profile to attract incremental global business. We intend to be the benchmark within the Canadian wholesale market in terms of our dynamic team culture, responsiveness, growth, scope and service.

> Developing Capability to Support our Strategy

To support TELUS' overall strategy and offer integrated solutions, we're developing both product and international expansion capabilities. One key initiative is our national fibre backbone network, which we will light at the end of March as we launch a suite of high-speed bandwidth services called Optical Networking Solutions. These services will provide connections for customers, from city to city and within large metropolitan cities, and enable international carriers to connect their networks to Canada.

Having this high-speed national fibre optic network in place will allow us to sell flexible, high-bandwidth services as well as fulfill all of TELUS' trans-Canada and cross-border facility requirements. It will also give us a leadership position in the delivery of Internet and IP-based services.

> Striking Beneficial Partnerships

Our national backbone will be complemented with extensions into the United States and we are working with our global suppliers to extend our services around the world. In partnership with Verizon and Genuity, we are driving North American bandwidth and Internet backbone capability and improving our U.S. connectivity. We've begun to provide the network and manage all VoIP traffic within Canada originating from Genuity's network in the United States.

In December, we established an Internet "peering" agreement with Microsoft Corporation. We now carry Microsoft's Internet traffic bound for TELUS customers and Microsoft carries TELUS' customer traffic bound for its network. Throughout 2000, we developed strong relationships with an array of international carriers to reduce the costs of our international traffic. Through these global trading relationships, we established overseas interconnection agreements and built network connections to support them. The result was a 30 per cent reduction in the cost of delivering international calls, an annual savings in 2000 of $31 million.

> Building a High-Growth, Performance-Driven Team

To better serve our customers, we've created four sales sectors – global carriers, strategic accounts, emerging operators and ISPs. We're building a passionate and focused team that is working hard to effectively serve the wholesale market by being agile, responsive, aggressive and efficient. The varied needs of our customers are helping to shape our team and define our standards.

Through global trading relationships, we saved $31 million on the cost of delivering international calls

Frequently Asked Questions

Q Why has the trading volume of TELUS non-voting shares, and the average share price spread between the voting and non-voting shares increased during the latter part of 2000 and into 2001?

A > The average daily trading volume of TELUS' non-voting shares increased significantly due in large part to the issuance of 49.7 million TELUS non-voting shares as part of the acquisition of Clearnet, which closed on October 20. Daily average trading volume of TELUS non-voting shares for the remainder of the year was approximately 357,000, compared to approximately 133,000 before the August announcement of the Clearnet transaction. In addition, this coincided with the listing of TELUS' non-voting shares on the New York Stock Exchange (NYSE) for the first time, enhancing the visibility of TELUS shares in the U.S.

The average spread between the voting and non-voting shares for the first nine months of 2000 was $0.73 or 2%. In the last quarter of 2000 through January 2001, the average spread increased to $2.14, or 6%.

Three main factors contributed to this increase:

1. Increased supply of non-voting shares. With the close of the Clearnet acquisition, the total non-voting shares almost doubled with the issuance of 49.7 million new shares.
2. Temporary selling pressure from former Clearnet shareholders. Due to the proration factor between shares and cash, Clearnet shareholders who elected late in October for 100% cash, received 69% cash and 31% in TELUS non-voting shares. These shareholders had to sell shares to obtain their desired amount of cash proceeds.
3. Change in Toronto Stock Exchange (TSE) stock market indexes to include only one class of shares per company. Effective March 16, 2001, certain TSE indexes are being modified to include only TELUS voting shares rather than additionally including TELUS non-voting shares. In what is expected to be a temporary phenomenon, it is believed that index fund managers may be selling in advance non-voting shares and purchasing voting shares to align their stock portfolios with the composition of the new indexes.

Please note that both classes of TELUS common shares have the same dividends, rights, and privileges. If Canada's Telecommunications Act were amended to remove the limitation on foreign ownership, the non-voting shares would automatically convert to voting shares.

Q Why did TELUS acquire Clearnet Communications?

A > Building a national wireless entity capable of pursuing the high-growth market for national wireless voice, data and Internet services was a strategic priority for TELUS. Acquiring Clearnet allowed us to avert the risk of having to acquire spectrum in Industry Canada sponsored auctions, as well as the risks and time to market delays associated with building a greenfield, facilities-based digital wireless operation in Central-Eastern Canada.

The acquisition of Clearnet allowed TELUS Mobility to transform itself overnight from a predominantly regional wireless service provider to the largest national wireless company in Canada in terms of revenue, revenue growth, revenue per subscriber and spectrum position. In addition, Clearnet represented an excellent fit for TELUS Mobility in areas such as distribution and technology platforms (See TELUS Mobility page 19), and offered TELUS significant potential financial synergies, including savings in capital expenditures and operating expenses, revenue synergies and the ability to benefit from Clearnet's tax loss carry-forwards.

Q How has the integration of Clearnet and TELUS Mobility progressed to date?

A > Following TELUS' acquisition of Clearnet, which closed on October, 20, 2000, rapid progress has been made in integrating Clearnet with TELUS Mobility's Western Canadian operations and QuébecTel Mobilité to form the new TELUS Mobility. This has been led by George Cope, President and Chief Executive Officer of the new TELUS Mobility, who, along with the rest of the Clearnet executive management team, was successfully engaged to bring together and lead the new company.

TELUS Mobility has begun to operate under the solid TELUS brand name, but is being rebranded to include elements of the former Clearnet brand and image, including the renowned nature-based themes and characters, as well as some product names. Our national PCS service is now TELUS PCS, with prepaid PCS marketed as Pay & Talk. Our ESMR product will continue to be known as Mike. The new TELUS Mobility branding thus brings together the best of the TELUS and Clearnet brands.

The cross-selling of products began in November 2000, shortly after the TELUS-Clearnet transaction closed. The rationalization of points of distribution allows the new TELUS Mobility to benefit from the combination of TELUS' widely established dealer distribution network in British Columbia and Alberta, with the former Clearnet national retail and dealer distribution network and that of QuébecTel in Québec. This permits the re-allocation of resources to refine and further develop the distribution network in areas where it was previously not established or under-deployed.

Prior to the acquisition of Clearnet, TELUS Mobility operated a CDMA PCS network supplied by Nortel Networks in Alberta and British Columbia, while Clearnet's national CDMA network was supplied by Lucent. These networks are being rationalized with TELUS Mobility's national network supported by Nortel in Alberta and British Columbia, and Lucent in the rest of Canada. This permits redeployment of Lucent infrastructure for, among other possibilities, the build out of new markets in Central-Eastern Canada. As a result of network rationalization, TELUS Mobility has already negotiated supplier concessions of $400 million over five years.

Prior to TELUS' purchase of Clearnet, TELUS Mobility customers roamed in Canada on the Bell Wireless Alliance's networks outside of Alberta and British Columbia, while Clearnet PCS customers, when outside of digital coverage, roamed nationally on the analogue network of Rogers AT&T Wireless. We expect to complete the migration of TELUS Mobility customers in Ontario and Québec onto our digital networks in the first half of 2001, and anticipate the migration of most TELUS Mobility customers to our analogue network to displace roaming shortly thereafter. In the future, all new TELUS Mobility subscribers should benefit from the same roaming partners in the U.S. In particular, we intend that Verizon Wireless, a subsidiary of Verizon Communications, which holds a 22% equity interest in TELUS Corporation, will be TELUS' Mobility's principal U.S. roaming partner on PCS and cellular.

TELUS Mobility intends to significantly integrate rate plans within the first-half of 2001, and to have its primary client base on a common billing system by the end of 2001.

Q Following the acquisitions of Clearnet and 70% of QuébecTel, what can we expect for acquisitions in the future?

A > Possible future acquisition activity is expected to be substantially related to the expansion of the development and distribution of our data and IP capabilities on a national basis, enabling us to exploit the expected growth in Enhanced Data markets.

Any possible acquisitions in this area would likely be smaller than the QuébecTel purchase of almost $600 million and could be funded in part with non-cash consideration.

Q What is TELUS' strategy to offer 3G wireless services?

A > Third Generation (3G) describes next generation wireless technology that is expected to be CDMA-based and offer high-speed packet data mobile wireless Internet access and multimedia communications. Globally 3G services largely remain in the development phase and, in Canada, additional spectrum for 3G is not expected to be allocated until the 2003 to 2004 time frame.

TELUS Mobility currently offers 2G services on a digital CDMA technology platform which offers circuit data speeds of up to 14.4 kbps. While first Generation refers to analogue cellular, developed prior to 2G digital, 2.5G refers to the first implementation of packet data capability on existing digital networks, or the migration step from 2G to 3G. 3G has become synonymous with packet data rates of a minimum of 384 kbps on a mobile basis and 2.048 mbps on a fixed basis.

TELUS Mobility's ESMR Mike product, based on an iDEN technology platform supplied by Motorola, already operates on a packet data network which offers shared data speeds of up to 19.2 kbps. On its CDMA2000 based, PCS network, TELUS Mobility is in the process of implementing the first step in the CDMA2000 3G evolution path. This is known as 1XRTT which is expected to offer packet data speeds of up to 144 kbps and offer nearly double the voice capacity of its current IS-95 CDMA based systems. This service offering is dependent on the commercial availability of 1XRTT handsets. While uncertain, this is anticipated in late 2001 or early 2002.

Over 56% of TELUS Mobility's digital subscriber base is equipped with browser capable handsets. During the course of 2000, TELUS Mobility introduced wireless Internet services and continues to broaden their scope. TELUS Mobility currently offers subscribers a rich variety of wireless Internet services, such as two-way e-mail, directories, news and information services, stock quotes, and banking and financial transaction related services. While 3G is expected to enhance the range of services that we will be able to offer, such as high-speed, multimedia applications, it has not been necessary to wait for the development of 3G to begin offering a multitude of value-added Internet services. To date, TELUS Mobility's offering has been met by strong consumer response.

In addition to this solid springboard from which to introduce next generation wireless services, TELUS Mobility has already been installing base stations which adhere to the CDMA2000 3G evolution path. TELUS Mobility expects to have its switching and Internet related CDMA infrastructure upgraded by the end of 2001, and also anticipates its cell site CDMA infrastructure to be substantially 1XRTT capable by year-end.

TELUS Mobility is following a three-pronged strategy to ensure a smooth migration from 2.5G to 3G. Technology teams are very actively involved in the planning and implementation stages of this migration. We are currently working with each of our primary infrastructure vendors, Lucent, Motorola and Nortel, as well as our handset vendors, such as Motorola, Nokia, Samsung, and Sanyo, among others. TELUS Mobility also participates in various industry groups, namely the CDG (CDMA Development Group), 3GPP2 (3G Partnership Project) and the OHG (Operators' Harmonization Group). In addition, we also take advantage of industry relationships to work with other carriers, such as Verizon and Nextel, to better understand their roadmaps to 3G.

Q Can you explain your wireline data and IP strategy and provide some detail of the types of services?

A > Data and IP can be explained by looking at the three tiers. The three tiers of our data and IP strategy consist of:

1. Wide Area Network (WAN) (or bandwidth: backbone and access) – it includes traditional and newer data services, such as leased lines, ISDN, frame relay, ATM, ADSL, IP and VPN. In a converged voice and data world, extending the reach of our network gives TELUS the cost base to be competitive because we are reducing lease payments to our competitors. It also allows us to offer the quality of service guarantees that customers want. The new TELUS national network mentioned above connects into Genuity's high-speed backbone in Seattle and Detroit. By doing this, TELUS achieves costless peering as well as enhanced service quality.
2. Local Area Network (LAN) (or private networks) – here, TELUS leaps over the access layer to custom-design and manage private networks for customers, using our own engineers. Because this service does not depend on owning access, TELUS can offer it in Central Canada. As TELUS extends its fibre network, or where the customer wants a wireless option, TELUS can offer the access portion as well.
3. IP applications (includes Web hosting, e-commerce, m-commerce, Voice-over-IP (VoIP)) – this is where our Genuity partnership is key because we can tap into partnerships they have with content providers and Application Service Providers (ASPs).

This combination of offering holistic WAN/LAN/IP converged solutions is what will differentiate TELUS in the marketplace.

Our strategy is to focus on this high growth data business. While the projected compounded annual growth in the Canadian telecommunications market over the next three years is 7%, enhanced data and IP service is projected to grow at 31%.

Q Why have you committed up to $500 million of capital over five years to expand your high-speed Internet services in Western Canada?

A > The future of telecommunications is tied to the Internet and as demand grows and costs fall, it should soon be a profitable business. The demand for high-speed Internet from the consumer and small business markets in Alberta and British Columbia is expected to grow 45% in 2001. Over the next three years, the growth is expected to average 30%. In fact, current demand is higher than what we can supply.

Providing ADSL technology to a customer is a considerable undertaking. In order for a customer to be eligible for ADSL service, the customer's home or business must be within three to four kilometres of a Central Office that has ADSL data equipment installed. In addition, the cable connection between the Central Office and the customer must be capable of carrying ADSL. If not, additional time and equipment is necessary to make it suitable. If a customer lives more than three to four kilometers from a Central Office, a new ADSL equipment location must be created closer to the customer.

With an initial investment in 2001 of $190 million, over the next five years, TELUS will expand its coverage by building capable facilities in 38 major communities in Alberta and B.C. This will provide over 95% of all homes and businesses in these communities, and at least 70% of the entire population in British Columbia and Alberta, access to TELUS high-speed Internet service. This aggressive high-speed Internet rollout plan is a cornerstone of TELUS' Internet, data, and wireless-focused strategy.

Q How does TELUS intend to take advantage of its strategic relationships with Verizon and Genuity?

A > In the global telecommunications industry that is accelerating in terms of technologies and competition, it is not feasible to own or build all capabilities. Partnerships and alliances are more important than ever. Verizon and Genuity are among the world leaders in their area of telecommunications expertise.

- Verizon is one of the world's leading providers of high-growth communications services, serving the equivalent of 95 million access lines and 25 million wireless subscribers.
- Genuity, created by a spin-off the GTE's Internet backbone operations (formerly BBN) and related data business, is a leading tier-one Internet infrastructure service provider.

Not only do we benefit from significant buying power savings from Verizon (in 2000, over $40 million of savings were realized), but also as strategic partners, we are preferred suppliers with Verizon/Genuity in each other's territories. The relationships, managed at a strategic level, mean that TELUS and Verizon/Genuity will cooperate to exploit the provision of integrated, seamless, and coordinated telecommunications services to customers across North America and globally. During 2001, we will continue working with our partners to align products and services. As well, we are integrating network and infrastructure elements to carry these services, and we are aligning the operational structures necessary to sell, deliver, support and bill them.

Some examples include:

- The TELUS cross-Canada fibre network system, operational in early 2001, will offer our customers high-speed transport services, delivering products such as SONET, ATM, and IP services. This network connects to the Genuity fibre network in two locations.
- Web/data hosting centres, supported by the in-house expertise of Genuity.
- Joint customer bids on North American cross-border sales opportunities.

Q How has the investment community reacted to the strategic, structural and management changes taking place at TELUS?

A > The reaction of the investment community can be measured in several ways, including investor buying and selling activity and through investment analyst commentary. We have experienced a large increase in share trading volumes and have identified a strong trend of buying by growth oriented institutional investors in reaction to the clear articulation of a growth strategy. As expected, we have seen selling by certain income oriented institutional investors.

The vast majority of investment analysts have been supportive of the strategic, structural and management changes taking place. Listed below are some selected commentaries.

"We maintain our original thesis that investors will be rewarded by TELUS' aggressive plans to expand out-of-region into the high-growth data and IP sector..." Robert Goff, Credit Suisse First Boston

"We believe that TELUS' new focus on Internet access service and data applications, in addition to its emerging national platform, positions it well to capture its fair share of growth in the Canadian telecom market." Suzanne Stein, Goldman Sachs*

"TELUS is the best positioned national group – TELUS is the only company that has national capability combined with a national wireless platform and a broad customer base. It plans to exploit these capabilities plus convergence of services to attack the fragmented competition." Nick Strube, Canaccord Capital

"Leadership and depth in management is key and we feel that TELUS has both." Jeremy Burge, TD Newcrest

*TELUS Industry report dated December 13, 2000

> TELUS' community investment

We are committed to improving the quality of life in the communities where our customers and employees live and work. We are proud to be an Imagine Caring Company, a designation given by The Canadian Centre for Philanthropy to companies that donate at least one per cent of their pre-tax profits to charitable organizations.

Imagine
A New Spirit of Community
Un nouvel esprit communautaire

In 2000, we contributed more than $13 million of financial and in-kind assistance to health, education, arts and charitable organizations across Canada. In addition, we match donations pledged by employees and retirees to Canadian charities during our annual workplace campaign. Last year, TELUS and its employees donated more than $2.8 million to approximately 1,100 charities. Later this year, we will publish a comprehensive social responsibility report online at www.telus.com.

> financial review table of contents

Three Months Ended (millions)			**2000**					1999		
	Mar 31	Jun 30	Sep 30	Dec 31	Total	Mar 31	Jun 30	Sep 30	Dec 31	Total
Operating revenues	**$ 1,477.8**	**$ 1,528.9**	**$ 1,626.3**	**$ 1,800.2**	**$ 6,433.2**	$ 1,430.2	$ 1,454.8	$ 1,460.3	$ 1,527.0	$ 5,872.3
Operations expense	**872.7**	**904.3**	**979.6**	**1,211.8**	**3,968.4**	863.3	882.4	870.1	929.1	3,544.9
EBITDA	**605.1**	**624.6**	**646.7**	**588.4**	**2,464.8**	566.9	572.4	590.2	597.9	2,327.4
Depreciation and amortization	**271.7**	**276.6**	**282.9**	**332.1**	**1,163.3**	261.2	263.0	264.5	265.9	1,054.6
Amortization of acquired intangible assets	**–**	**–**	**–**	**24.6**	**24.6**	–	–	–	–	–
Operating Income	**333.4**	**348.0**	**363.8**	**231.7**	**1,276.9**	305.7	309.4	325.7	332.0	1,272.8
Other income	**2.9**	**7.8**	**9.1**	**10.3**	**30.1**	2.3	3.5	5.7	28.7	40.2
Financing costs	**45.0**	**58.1**	**71.4**	**142.4**	**316.9**	46.6	45.2	50.3	46.6	188.7
Restructuring costs	**–**	**–**	**–**	**–**	**–**	466.3	–	–	–	466.3
Income (Loss) before Income Taxes, Non-Controlling Interest and Goodwill Amortization	**291.3**	**297.7**	**301.5**	**99.6**	**990.1**	(204.9)	267.7	281.1	314.1	658.0
Income taxes	**127.8**	**127.9**	**131.0**	**109.4**	**496.1**	(77.8)	130.3	134.3	110.1	296.9
Income (Loss) before Non-Controlling Interest and Goodwill Amortization	**163.5**	**169.8**	**170.5**	**(9.8)**	**494.0**	(127.1)	137.4	146.8	204.0	361.1
Non-controlling interest	**0.5**	**2.4**	**3.0**	**2.8**	**8.7**	0.4	1.1	0.4	2.0	3.9
Net Income (Loss) before Goodwill Amortization	**163.0**	**167.4**	**167.5**	**(12.6)**	**485.3**	(127.5)	136.3	146.4	202.0	357.2
Goodwill amortization	**0.6**	**2.4**	**6.5**	**14.8**	**24.3**	2.1	2.0	2.1	1.3	7.5
Net Income (Loss)	**162.4**	**165.0**	**161.0**	**(27.4)**	**461.0**	(129.6)	134.3	144.3	200.7	349.7
Preference and preferred share dividends	**0.9**	**0.9**	**0.9**	**0.8**	**3.5**	1.1	0.7	0.8	0.9	3.5
Interest on convertible debentures	**–**	**–**	**–**	**1.5**	**1.5**	–	–	–	–	–
Common Share Income (Loss)	**$161.5**	**$164.1**	**$160.1**	**$(29.7)**	**$456.0**	$(130.7)	$133.6	$143.5	$199.8	$346.2
Earnings (Loss) per Common Share ($)	**0.68**	**0.69**	**0.68**	**(0.11)**	**1.85**	(0.55)	0.56	0.61	0.84	1.46
Cash earnings per common share[1]	**0.70**	**0.71**	**0.71**	**0.24**	**2.31**	0.57	0.57	0.62	0.85	2.61
EPS before restructuring costs and goodwill charges	**0.69**	**0.70**	**0.70**	**(0.05)**	**1.94**	0.57	0.57	0.62	0.85	2.61
Average Common Shares Outstanding (millions)	**236.8**	**236.9**	**237.0**	**276.9**	**247.0**	236.6	236.6	236.6	236.6	236.6

1 Cash EPS: Common share income before amortization of acquired intangible assets, restructuring costs net of tax, revaluation of future tax assets, and goodwill amortization, on a per share basis

	TELUS Consolidated			TELUS and BC TELECOM Combined			
($ millions)	**2000**	1999	1998	1997	1996	1995	1994
INCOME STATEMENT							
Local service revenue	**$ 3,494.4**	$ 3,195.0	$ 3,160.2	$ 2,746.3	$ 2,278.0	$ 1,852.2	$ 1,450.6
Long distance service revenue	**1,662.7**	1,609.1	1,720.1	1,805.9	1,534.4	1,557.7	1,641.6
Other revenue	**1,276.1**	1,068.2	953.6	923.0	728.1	675.2	579.5
Total operating revenues	**6,433.2**	5,872.3	5,833.9	5,475.2	4,540.5	4,085.1	3,671.7
Operations expense	**3,968.4**	3,544.9	3,515.2	3,245.5	2,566.3	2,332.0	2,064.4
EBITDA	**2,464.8**	2,327.4	2,318.7	2,229.7	1,974.2	1,753.1	1,607.3
Depreciation and amortization	**1,163.3**	1,054.6	1,015.0	1,103.0	911.2	834.4	733.0
Amortization of acquired intangible assets	**24.6**	n/a	n/a	n/a	n/a	n/a	n/a
Operating income	**1,276.9**	1,272.8	1,303.7	1,126.7	1,063.0	918.7	874.3
Other income	**30.1**	40.2	56.9	0.4	3.7	34.4	11.8
Financing costs	**316.9**	188.7	232.1	236.2	278.0	289.1	231.1
Restructuring costs	**–**	466.3	–	–	–	–	–
Income before income taxes, non-controlling interest, extraordinary loss and goodwill amortization	**990.1**	658.0	1,128.5	884.0	764.2	643.4	655.1
Income taxes	**496.1**	296.9	519.5	442.2	245.3	217.7	209.8
Income before non-controlling interest, extraordinary loss and goodwill amortization	**494.0**	361.1	602.1	441.8	518.9	425.7	445.3
Non-controlling interest	**8.7**	3.9	4.6	4.0	3.4	3.2	2.4
Extraordinary loss[1]	**–**	–	530.6	285.2	–	–	–
Gain (loss) from discontinued operations	**–**	–	–	130.9	(35.0)	12.1	(6.7)
Income before goodwill amortization	**485.3**	357.2	73.8	290.4	505.0	455.1	436.2
Goodwill amortization	**24.3**	7.5	6.9	6.9	24.5	20.5	–
Net income	**461.0**	349.7	66.9	283.5	480.5	434.6	436.2
Preference and preferred share dividends and interest on convertible debentures	**5.0**	3.5	3.5	3.5	3.5	3.5	3.5
Common share income	**$ 456.0**	$ 346.2	$ 63.4	$ 280.0	$ 477.0	$ 431.1	$ 432.7
Cash earnings[2]	**$ 571.2**	$ 618.7	$ 600.9	$ 572.1	$ 501.5	$ 451.6	$ 432.7
BALANCE SHEET							
Property, plant and equipment, at cost	**$ 21,782.5**	$ 14,415.5	$ 13,778.1	$ 13,316.0	$ 12,945.8	$ 12,269.9	$ 10,887.7
Accumulated depreciation	**10,300.6**	8,537.2	7,950.5	6,702.0	5,642.5	5,077.1	4,281.7
Total assets	**16,415.0**	7,797.1	7,860.5	8,761.9	9,167.7	9,160.0	7,939.5
Total capitalization	**14,354.0**	6,448.8	6,743.2	7,476.5	7,587.3	7,569.5	6,520.1
Long-term debt	**3,047.3**	1,555.5	1,608.7	2,280.6	2,953.1	3,175.4	2,441.4
Total shareholders' equity	**6,418.4**	4,307.7	4,343.0	4,650.7	4,251.5	3,954.3	3,698.4
FINANCIAL							
Average shares outstanding (millions)	**247.0**	236.6	237.0	236.6	234.2	229.2	225.3
Year-end shares outstanding (millions)	**287.1**	236.7	236.6	237.2	233.9	231.3	226.3
Cash earnings per common share[3]	**$ 2.31**	$ 2.61	$ 2.54	$ 2.42	$ 2.14	$ 1.97	$ 1.92
Total earnings per common share	**$ 1.85**	$ 1.46	$ 0.27	$ 1.18	$ 2.04	$ 1.88	$ 1.92
Dividends declared per common share	**$ 1.40**	$ 1.40	$ 1.29	$ 1.27	$ 1.25	$ 1.23	$ 1.21
Cash flow per common share	**$ 7.31**	$ 7.34	$ 6.89	$ 6.88	$ 6.35	$ 5.70	$ 5.05
Book value per common share	**$ 21.60**	$ 17.91	$ 18.03	$ 19.36	$ 17.86	$ 16.95	$ 16.11
Return on common equity, operations	**9.6%**	14.2%	14.0%	9.9%	11.8%	11.5%	12.3%
EBITDA interest coverage	**10.9**	12.3	11.1	9.4	7.1	6.1	7.0
Cash flow from operations before changes in working capital (millions)	**$ 1,804.6**	$ 1,735.5	$ 1,634.1	$ 1,626.4	$ 1,486.8	$ 1,307.1	$ 1,138.8
Net debt to total capitalization	**55.1%**	32.2%	33.0%	35.6%	41.0%	45.1%	42.8%
Capital expenditures (millions)	**$ 1,441.3**	$ 1,199.2	$ 1,093.2	$ 1,130.7	$ 1,076.0	$ 1,060.7	$ 1,048.1
OTHER							
Employees	**26,770**	21,601	22,499	21,802	22,352	23,511	21,384
Total salary expense (millions)	**$ 1,402.2**	$ 1,350.7	$ 1,405.5	$ 1,253.9	n/a	n/a	n/a

NOTES:
1 Prior to the BC TELECOM and TELUS merger in 1999, non-cash extraordinary losses were individually recorded by each company (TELUS in 1997, and BC TELECOM in 1998). These extraordinary losses were the result of the change from Regulatory Accounting Principles (RAP) to Generally Accepted Accounting Principles (GAAP).
2 Cash earnings: Common share income before amortization of acquired intangible assets, restructuring costs net of tax, revaluation of future tax assets, goodwill amortization, and extraordinary losses.
3 Cash EPS: Cash earnings on a per common share basis.

	TELUS Consolidated			TELUS and BC TELECOM Combined			
	2000	1999	1998	1997	1996	1995	1994
COMMUNICATIONS (excluding QuébecTel)							
Subscriber access lines in service (000s)	**4,641**	4,551	4,495	4,367	4,198	4,042	3,498
Long distance switched conversation minutes (millions)	**7,413**	7,011	5,333	4,577	n/a	n/a	n/a
Average revenue per LD minute	**$ 0.124**	$ 0.141	$ 0.204	n/a	n/a	n/a	n/a
Long distance market share – West[4]	**71%**	71%	70%	n/a	n/a	n/a	n/a
Local market share – West[4]	**98%**	98%	99%	n/a	n/a	n/a	n/a
ADVANCED COMMUNICATIONS (excluding QuébecTel)							
Dial-up Internet subscribers (000s)	**324.5**	287.7	212.1	122.9	60.6	5.3	n/a
High-speed Internet subscribers (000s)	**81.1**	25.7	4.3	n/a	n/a	n/a	n/a
OTHER (QuébecTel)							
Subscriber access lines in service (000s)	**303**	n/a	n/a	n/a	n/a	n/a	n/a
Long distance switched conversation minutes (millions)	**257**	n/a	n/a	n/a	n/a	n/a	n/a
Average revenue per LD minute	**$ 0.115**	n/a	n/a	n/a	n/a	n/a	n/a
Long distance market share	**85%**	n/a	n/a	n/a	n/a	n/a	n/a
Local market share	**100%**	n/a	n/a	n/a	n/a	n/a	n/a
Dial-up Internet subscribers (000s)	**88.7**	n/a	n/a	n/a	n/a	n/a	n/a
High-speed Internet subscribers (000s)	**2.5**	n/a	n/a	n/a	n/a	n/a	n/a
TELUS MOBILITY (West)[5]							
Gross activations (000s)	**387**	306	279	287	269	219	122
Net additions (000s)	**151**	136	140	188	173	199	n/a
Wireless subscribers (000s)[6]	**1,236**	1,099	963	823	635	462	263
Penetration rate	**18.4%**	16.9%	15.1%	13.1%	10.6%	8.0%	5.6%
Wireless market share	**56%**	58%	62%	64%	64%	63%	59%
Digital population coverage (millions)	**5.1**	4.8	3.2	3.2	–	–	–
Total population coverage (millions)	**6.7**	6.5	6.4	6.3	6.0	5.8	4.7
Average monthly revenue per subscriber	**$ 57**	$ 60	$ 70	$ 76	$ 81	$ 84	$ 90
Average minutes per subscriber per month	**244**	218	219	200	199	178	168
Marketing cost of acquisition, per gross addition	**$ 401**	$ 360	$ 412	$ 338	$ 319	$ 320	n/a
Monthly deactivations (churn rate)[6]	**1.7%**	1.4%	1.3%	1.2%	1.6%	1.6%	1.4%
Paging subscribers (000s)	**193**	205	196	167	135	116	93
TELUS MOBILITY (National) – Pro forma[7]							
Gross activations (000s)	**924**	668	n/a	n/a	n/a	n/a	n/a
Net additions (000s)	**474**	396	n/a	n/a	n/a	n/a	n/a
Wireless subscribers (000s)[8]	**2,156**	1,695	n/a	n/a	n/a	n/a	n/a
Penetration rate	**9.1%**	7.4%	n/a	n/a	n/a	n/a	n/a
Wireless market share	**24.5%**	24.6%	n/a	n/a	n/a	n/a	n/a
Digital population coverage (millions)	**22.6**	21.3	n/a	n/a	n/a	n/a	n/a
Total population coverage (millions)	**23.7**	22.8	n/a	n/a	n/a	n/a	n/a
Average monthly revenue per subscriber[8]	**$ 59**	$ 61	n/a	n/a	n/a	n/a	n/a
Average minutes per subscriber per month	**271**	238	n/a	n/a	n/a	n/a	n/a
Marketing cost of acquisition, per gross addition[8]	**$ 537**	$ 502	n/a	n/a	n/a	n/a	n/a
Monthly deactivations (churn rate)[8]	**2.0%**	1.6%	n/a	n/a	n/a	n/a	n/a
Paging subscribers (000s)	**217**	228	n/a	n/a	n/a	n/a	n/a

NOTES:
4 West includes British Columbia and Alberta.
5 TELUS Mobility (West) excludes Clearnet's networks in Alberta and British Columbia.
6 Subscriber and churn results for 2000 have been adjusted to reflect definitional alignment between TELUS Mobility (pre-acquisitions), Clearnet and QuébecTel. This includes a decrease of approximately 13,100 to the December 31, 2000 postpaid subscriber total.
7 Data includes TELUS Mobility, Clearnet and QuébecTel Mobilité pro forma on a consolidated basis.
8 Subscriber, churn, average monthly revenue per subscriber and marketing cost of acquisition per gross addition for 1999 and 2000 have been adjusted to reflect definitional alignment between TELUS Mobility (pre-acquisitions), Clearnet and QuébecTel. This includes a decrease of approximately 13,100 to the December 31, 2000 postpaid subscriber total. Marketing cost of acquisition as adjusted includes costs for client renewals and migrations from analogue to digital.

management discussion and analysis

(dollar amounts in Canadian dollars unless otherwise indicated)

The following is a discussion of the consolidated financial condition and results of operations of TELUS Corporation (TELUS or the Company) for the years ended December 31, 2000, and 1999, and of certain factors the Company believes are likely to affect its prospective financial condition. This discussion contains forward-looking information that is qualified by reference to, and should be read in conjunction with, the Company's discussion regarding forward-looking statements. See "Forward-Looking Statements." The following should also be read in conjunction with the Consolidated Financial Statements of TELUS and notes thereto (Financial Statements) appearing on pages 61 through 87. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP), which differ in certain respects from U.S. GAAP. See Note 20 to the Financial Statements for a summary of the principal differences between Canadian and U.S. GAAP as they relate to TELUS.

CORPORATE BACKGROUND

TELUS Corporation was created in February 1999 from the merger of BC TELECOM and TELUS. These long-established, regional, full-service telecommunications companies provided service to 7.0 million people (23% of Canada's population) in the two western provinces of British Columbia (B.C.) and Alberta. In 1999, TELUS announced plans to begin providing telecommunications service in other areas of Canada. These national plans were greatly accelerated during 2000 in Québec and nationally with the purchase of 70% of QuébecTel, a regional full-service operator, and the acquisition of Clearnet, a fast-growing national digital wireless operator.

TELUS' business segments for the year 2000 were:

- TELUS Communications, which provided local, long distance, and other services principally in B.C. and Alberta
- TELUS Mobility, which provided digital PCS and ESMR, analogue cellular and paging services in B.C. and Alberta and national services through wireless resale (since March 2000), through QuébecTel Mobilité in Eastern Québec (since June 2000), and across the country through Clearnet (since October 20, 2000)
- TELUS Advanced Communications, which provided data, Internet, and information management services primarily in B.C. and Alberta
- "Other," which included TELUS Advertising Services' directory publishing in B.C., Alberta, and parts of Ontario and the U.S.; and QuébecTel communications, data, Internet, directory publishing and other services

OVERVIEW

($ millions except per share amounts)	**2000**	1999	Change	%
Operating revenues	**6,433.2**	5,872.3	560.9	9.6
EBITDA[1]	**2,464.8**	2,327.4	137.4	5.9
Cash earnings[2]	**571.2**	618.7	(47.5)	–7.7
Common share income	**456.0**	346.2	109.8	31.7
Earnings per share (EPS)				
– cash earnings[3]	**$2.31**	$2.61	$(0.30)	–11.5
– common share income	**$1.85**	$1.46	$0.39	26.7
Cash flow[4]	**1,804.6**	1,735.5	69.1	4.0
Cash flow per share	**7.31**	7.34	(0.03)	–0.4
Capital expenditures	**1,441.3**	1,199.2	242.1	20.2

1 Earnings before interest, taxes, depreciation and amortization.
2 Cash Earnings: Common share income before amortization of acquired intangible assets, restructuring costs net of tax, revaluation of future tax assets, and goodwill amortization.
3 Cash EPS: Cash Earnings on a per share basis.
4 Operating cash flow adjusted for restructuring costs.

The major financial events and trends for 2000 were:

1. Revenue growth of 18% in the fourth quarter and 10% for the year through acquisitions as well as organic growth.
2. Developing a national telecommunications presence with the acquisitions of Clearnet and QuébecTel.
   - Acquired Clearnet Communications on October 20 for $4.1 billion with approximately equal parts cash and TELUS non-voting shares, and at closing, with fair market value adjustments, recognized $6.0 billion of identifiable assets and assumed total Clearnet liabilities of $3.45 billion under Canadian GAAP (see Note 4). For the period of just over two months, this increased TELUS revenues by $125 million, while reducing EBITDA by $27 million. On a pro forma basis, TELUS led the Canadian wireless industry with the highest increase in revenues for 12 months ($346 million), and highest total revenues for 12 months ($1,710 million).

- Acquired 70% of QuébecTel for $584 million effective June 1. For seven months, this provided TELUS with over $224 million of new revenue and a positive contribution to EBITDA of over $78 million.
- Acquisitions caused an increase in revenue and EBITDA growth, while decreasing cash and basic earnings per share due to higher interest costs and 49.7 million new non-voting shares issued, as well as decreasing basic EPS due to higher amortization charges.
- As a result of these acquisitions, debt levels increased to $8.1 billion from $2.1 billion at the start of the year.

3. Achievement of $130 million of additional TELUS/ BC TELECOM merger-related synergies in 2000 for a cumulative total of $199 million over two years.
4. Maintained strong local and long distance market shares and more than tripled our high-speed Internet base in the West.
5. Maintained a 4% growth in cash flow despite an increase in financing costs. Cash flow per share decreased by three cents due to an increase in the average number of shares outstanding.

RESULTS OF OPERATIONS

REVENUE ANALYSIS

OPERATING REVENUES (EXTERNAL) BY SEGMENT

($ millions)	2000	1999	Change	%
TELUS Communications	**3,753.7**	3,795.0	(41.3)	–1.1
TELUS Mobility	**1,257.0**	960.3	296.7	30.9
TELUS Advanced Communications	**882.0**	802.7	79.3	9.9
Other	**540.5**	314.3	226.2	72.0
Operating Revenues	**6,433.2**	5,872.3	560.9	9.6

KEY OPERATING INDICATORS

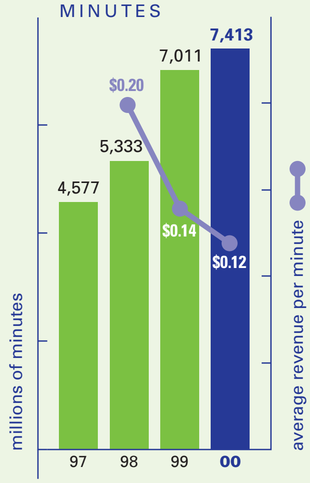
	2000	1999	Change	%
Network access lines (000s)[1]	**4,944**	4,551	393	8.6
Conversation minutes (millions)[1]	**7,670**	7,011	659	9.4
Wireless subscribers (000s)	**2,156**	1,099	1,057	96.2
Dial-up Internet subscribers (000s)[1]	**413**	288	125	43.6
High-speed Internet subscribers (000s)[1]	**84**	26	58	225.1

1 QuébecTel indicators included: 303,000 access lines, 257 million minutes, 89,000 dial-up Internet subscribers and 2,500 high-speed Internet subscribers. (TELUS includes 100% of QuébecTel subscribers, but owns a 70% economic interest in QuébecTel.)

TELUS Communications Revenue

TELUS Communications local revenue increased by $35.5 million, due mainly to growth in enhanced residential and business services (residential call management services such as call display, personal voice mail, and call waiting and business services such as Centrex™). A 2% growth in access lines also contributed to increased revenues. This was partly offset by lower portable subsidy revenues resulting from changes to contribution methodology. Local market share in the West was unchanged from one year ago at 98%.

LONG DISTANCE CONVERSATION MINUTES

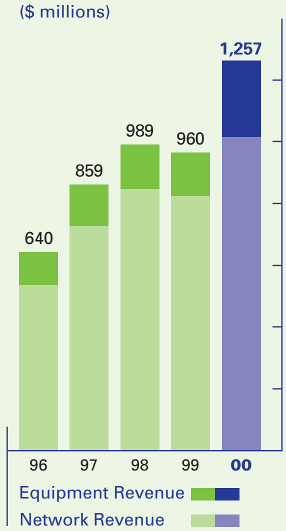


Long distance revenue decreased $70.0 million because of reduced domestic and international prices, partially offset by strong volume growth. Long distance market share (based on minutes) was estimated at 71% at year-end – unchanged from one year ago. Other revenue decreased by $6.8 million due primarily to lower rental revenues from consumers.

TELUS Mobility Revenue

Local and long distance revenues increased by $186.3 million to $986.0 million. The acquisition of Clearnet and QuébecTel, and start-up of cellular resale operations in 2000, contributed $126.0 million of this growth. As a result, nearly 920,000 subscribers were added outside of TELUS' traditional operating territory of Alberta and B.C. Meanwhile, revenues from B.C. and Alberta (excluding Clearnet networks) increased by $60.3 million due to the 12.5% increase in wireless subscribers in the region.

TELUS MOBILITY REVENUE
($ millions)



Other revenue increased by $110.5 million. Revenue from the sales of wireless telephones and accessories increased by $76.9 million to $217.2 million primarily from higher margin digital handsets. Sales volume had increased by 31%. Other revenues (mainly equipment sales) from Clearnet and QuébecTel Mobilité added $35.5 million. Partially offsetting this were lower paging rental and sales revenues. Consistent with TELUS Mobility's migration strategy, we experienced a net loss of 12,000 paging subscribers in the West this year, closing the year at 193,000, as digital wireless services have proven attractive to paging subscribers and competitors have offered lower paging prices. TELUS' total paging subscribers increased due to the inclusion of over 25,000 QuébecTel paging subscribers.

Advanced Communications Revenue

Advanced Communications local revenues increased by $17.2 million due mainly to higher access volumes for digital switched private line and interexchange services ($18.9 million), partly offset by lower outsourcing service management revenues for data communications. Long distance revenue increased by $36.3 million. This was due mainly to increased revenues from Internetworking (high-speed connectivity between local area networks) and providing connectivity to the Internet.

Other revenue increased by $25.7 million. Consumer Internet access revenues contributed $28.1 million largely because of the 55,000 increase in ADSL subscribers and the 37,000 increase in dial-up subscribers since 1999. Revenues from Web portal and e-business increased by $5.5 million, while data network product and video conferencing equipment sales increased by $4.4 million. Partly offsetting these increases were $12.8 million lower information services revenues due mainly to a decline in application development and maintenance revenue and completion of a $3.0 million contract in Korea in 1999.

Other Segment Revenue

Other segment revenues increased mainly due to the inclusion of QuébecTel results for seven months (excluding QuébecTel Mobilité). QuébecTel held 100% local market share and an 85% long distance market share at year-end. Advertising Services revenues increased by $30.4 million due to a combination of factors including greater sales (in B.C., Alberta, Ontario and the U.S.), higher rates in certain markets, increased Web development services and Web advertising services, and product development for AltaVista (a national Web portal and search engine).

EXPENSE ANALYSIS

OPERATIONS EXPENSE BY SEGMENT

($ millions)	**2000**	1999	Change	%
TELUS Communications	**2,178.5**	2,364.6	(186.1)	–7.9
TELUS Mobility	**965.7**	594.8	370.9	62.4
TELUS Advanced Communications	**876.8**	844.7	32.1	3.8
Other	**450.5**	224.3	226.2	100.8
Eliminations	**(503.1)**	(483.5)	(19.6)	–4.1
Operations expense	**3,968.4**	3,544.9	423.5	11.9
Employees	**26,770**	21,601	5,169	23.9

Expenses increased due to inclusion of QuébecTel results since June 2000, Clearnet results since October 20, 2000, and increased national start-up and expansion costs incurred outside of Québec. Revenue growth-related cost increases in TELUS Mobility's western operations and Advanced Communications were more than offset by lower TELUS Communications and corporate expenses. TELUS/BC TELECOM merger-related synergies, included primarily in TELUS Communications and corporate functions, increased by $130 million for a cumulative total of $199 million since the beginning of 1999. The changes by business segment follow.

TELUS Communications Expenses

TELUS Communications expenses decreased due to continued focus on synergy attainment and cost controls that provided savings of $103.5 million. Other savings included $44.5 million in reduced payments to Stentor for information technology and $38.0 million reduced settlement expenses due primarily to lower rates on traffic delivered to other carriers.

TELUS Mobility Expenses

TELUS Mobility expenses increased by $370.9 million. Entering the national resale market in March 2000 combined with the acquisition of QuébecTel and Clearnet added $221.8 million in expenses. Expenses in western operations increased by $149.1 million due to higher commissions to dealers related to the increase in digital subscribers ($72.3 million), a related increase in cost-of-goods-sold for wireless handsets and accessories ($57.4 million) caused by higher gross subscriber additions and higher marketing costs of acquisition per gross subscriber addition due to the increased sale of higher cost digital handsets, and higher general support costs arising from a higher subscriber base. New market initiatives helped increase the number of digital subscribers to 31% of the western subscriber base (excluding the former Clearnet networks) at year-end (13% at the end of 1999).

Advanced Communications Expenses

Advanced Communications expenses increased to support growth in data and Internet services; partly offset by lower expenses in ISM-BC, TELUS' information management outsourcing company.

Other Expenses

Other segment expenses increased due to the inclusion of QuébecTel financial results (excluding QuébecTel Mobilité) for seven months, and other national start-up costs due to the opening of facilities in late 1999, the hiring and training of sales force personnel and increased directory-publishing activity. These increases were partly offset by a $58 million reduction in operating expenses recorded in 2000 for an accounting policy change made on a prospective basis, dealing with future employee benefits (Note 3).

The 4.1% increase in intercorporate expense eliminations was due mainly to the provision of additional information systems services by Advanced Communications to other segments.

EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION (EBITDA)

EBITDA BY SEGMENT ($ millions)	**2000**	1999	Change	%
TELUS Communications	**1,853.4**	1,709.9	143.5	8.4
TELUS Mobility	**307.4**	379.7	(72.3)	–19.0
TELUS Advanced Communications	**200.5**	139.1	61.4	44.1
Other and eliminations	**103.5**	98.7	4.8	4.9
EBITDA	**2,464.8**	2,327.4	137.4	5.9

Growth in EBITDA was driven primarily from:

- improved margins in TELUS Communications due to continued focus on cost containment and achievement of merger-related synergies
- 10% revenue growth at Advanced Communications combined with only a 4% increase in costs

partially offset by:

- lower margins in TELUS Mobility due to accelerated migration of analogue subscribers to digital services and inclusion of Clearnet's wireless operations for just over two months
- lower margins in the Other segment due to increased national expansion costs

EBITDA MARGIN* BY SEGMENT	**2000**	1999	Change
TELUS Communications	**46.0%**	42.0%	4.0%
TELUS Mobility	**24.1%**	39.0%	–14.9%
TELUS Advanced Communications	**18.6%**	14.1%	4.5%
Other	**18.7%**	30.7%	–12.0%
TELUS Consolidated	**38.3%**	39.6%	–1.3%

* EBITDA divided by total revenue

Depreciation and amortization (and amortization of acquired intangibles) increased by $133.3 million

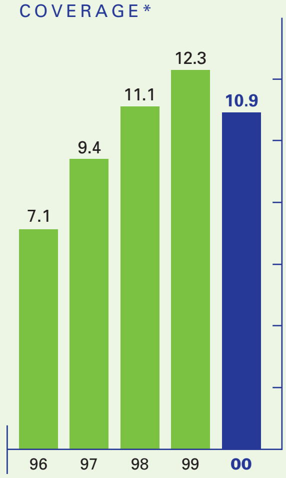
The increase was due mainly to QuébecTel depreciation ($39.4 million for seven months) and Clearnet depreciation ($47.6 million since October 20). Amortization of intangible assets relating to acquired subscribers and wireless spectrum added $24.6 million. The remaining increase resulted from standardization of depreciation guidelines (part of merger integration activities) and growing capital assets in Advanced Communications. Amortization of goodwill has been disclosed separately on the Income Statement before the Net Income line.

Other income, net – decreased by $10.1 million

Other income of $30.1 million includes gains and losses on disposal of properties and investments, as well as recurring interest income and charitable donations. Net gains on disposal of properties and investments were $8.2 million in 2000 for the sale of two buildings and an aircraft; while in 1999, net gains of $36.9 million were recorded for the sale of real estate properties and investments. One other building was sold in 2000 under a leaseback arrangement – therefore, no gain or loss was recorded. Sinking fund income decreased by $8.5 million, as the sinking fund asset and related debt were both retired in May 2000. These decreases were partly offset by higher interest income due to higher average cash and investment balances.

Financing costs increased by $128.2 million
Financing costs increased mainly because of an increase in debt balances due to the purchase of QuébecTel, the purchase of Clearnet and $12.5 million net foreign exchange losses in 2000 compared with $9.4 million net foreign exchange gains in 1999. The foreign exchange losses were attributable to the effects of valuation of U.S. dollar debt and a comparatively lower Canadian dollar. Financing costs included $56.5 million of non-cash accreted interest expense related to Clearnet long term debt from October 20 onward.

EBITDA INTEREST COVERAGE*



* EBITDA divided by net interest (interest on long-term and short-term debt, net of interest income, excluding accreted interest expense)

Restructuring costs in 1999
A charge of $466.3 million was recorded in the first quarter last year for the expected costs in 1999 and 2000 to complete TELUS/BC TELECOM merger-related restructuring activities. More than half of this charge was planned termination costs for management and the costs of various voluntary early retirement programs. The business restructuring also included the rationalization of real estate, the impairment of assets in two start-up businesses that were reassessed in relation to TELUS' national growth plans, national branding expenses and consulting and salary costs from merger integration activities.

Income taxes increased by $199.2 million
The increase in taxes was caused by an increase in income and a $66.3 million non-cash expense related to the revaluation of future income tax assets. The accounting treatment for future income tax assets was consistent with CICA 3465 and an Emerging Issues Committee abstract relating to accounting for substantively enacted tax changes, specifically lower future income tax rates. This had the effect of reducing the value of the future income tax assets recorded on the balance sheet and increasing the tax expense on the income statement. The average effective tax rate prior to the revaluation of the future income tax asset was approximately 43% this year (45% in 1999).

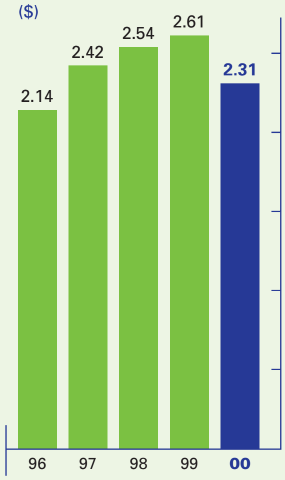
Non-controlling interest increased by $4.8 million
The increase in non-controlling interest resulted mainly from the 30% interest in QuébecTel owned by Verizon. This was partly offset by reduced non-controlling interest for ISM-BC since August 2000 due to the purchase of the remaining 25% by TELUS.

Amortization of goodwill increased by $16.8 million
The increase was primarily amortization of goodwill from the purchase of QuébecTel ($5.1 million) and Clearnet ($15.3 million), the purchase of independent directory publishing operations in 1999 and 2000 and the purchase of the remaining 25% interest in ISM-BC. This was offset by a $6.9 million reduction in goodwill amortization related to the reclassification of some goodwill to the future income tax asset at the beginning of the year.

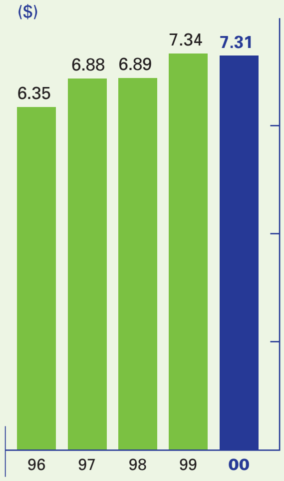
Preference and preferred dividends (unchanged) and interest on convertible debentures ($1.5 million)
Preferred dividends were unchanged from the previous year. The interest on convertible debentures in Clearnet, recorded net of related taxes, represents the expense for the October 20 to December 31 period. Because these debentures are convertible into common non-voting shares, they are classified as equity on the balance sheet, and the related interest is classified as a charge against retained earnings.

Common share income and earnings per share (EPS)
The increase in financing costs, net of taxes, combined with the future tax asset write-down in 2000, were significantly lower than the 1999 restructuring charge – providing a significant increase in income in 2000. EPS on common share income increased by 39 cents even though the average shares outstanding increased by over 10 million due to the new shares issued for the purchase of Clearnet.

CASH EPS
($)



CASH FLOW PER COMMON SHARE
($)



Cash EPS, normalized to exclude amortization of goodwill and acquired intangible assets, revaluation of future tax assets, and the 1999 restructuring charge, decreased by 30 cents. The decrease was primarily due to increased financing costs.

LIQUIDITY AND CAPITAL RESOURCES

CASH AND TEMPORARY INVESTMENTS (BANK INDEBTEDNESS)

($ millions)	2000	1999	Change	%
	100.2	(32.3)	132.5	–

Cash balances available at the end of 2000 were used to reduce debt in January 2001.

OPERATING ACTIVITIES

($ millions)	2000	1999	Change	%
Cash provided by operating activities adjusted for restructuring costs	**1,804.6**	1,735.5	69.1	4.0
Net change in non-cash working capital	**(169.5)**	(90.4)	(79.1)	–87.5
Cash provided by operating activities	**1,635.1**	1,645.1	(10.0)	–0.6

Cash provided by operating activities, adjusted to exclude the impact of restructuring charges, improved in 2000. This was due to higher EBITDA partially offset by higher financing costs and current income taxes. The change in non-cash working capital in 2000 was largely a result of increases in accounts receivable, accounts payable, inventories and prepaid expenses and other caused by the acquisitions of Clearnet and QuébecTel.

INVESTING ACTIVITIES

($ millions)	2000	1999	Change	%
Cash used by investing activities	**3,831.1**	1,198.3	2,632.8	219.7

Cash used by investing activities increased substantially in 2000 due to the acquisition of Clearnet ($1.86 billion net of cash acquired), QuébecTel ($584 million net of cash acquired) and capital expenditures increases of $242 million.

CAPITAL EXPENDITURES BY SEGMENT

($ millions)	2000	1999	Change	%
TELUS Communications	**627.3**	660.0	(32.7)	–5.0
TELUS Mobility	**222.9**	165.2	57.7	34.9
Advanced Communications	**236.1**	146.8	89.3	60.8
Other	**355.0**	227.2	127.8	56.3
Capital Expenditures	**1,441.3**	1,199.2	242.1	20.2

TELUS Communications capital expenditures decreased from 1999 due to lower license fees for certain third-party services and the completion of several projects in 1999 including billing systems integration, readiness for local number portability and local competition. This was partly offset by the purchase of billing integration software assets and building renovations in 2000.

TELUS Mobility capital expenditures were higher due to $55.4 million of capital expenditures by Clearnet from October 20, and $4.2 million at QuébecTel Mobilité since June 1. Slightly offsetting this was lower spending in western operations due to harmonization of capital investment plans with Clearnet. On a pro forma basis including 12 months results from Clearnet and

QuébecTel Mobilité, TELUS Mobility's capital expenditures were $533.7 million in 2000 as compared to $545.9 million in 1999.

Capital spending in Advanced Communications increased to support more rapid rollout of ADSL high-speed Internet services and TELUS.net, interactive commerce initiatives, internetworking services and the acquisition of the assets of a data services company.

Other capital expenditure increases included $111.0 million that was directed to expansion of TELUS' national network (inter-city transport, access, real estate), and seven months of QuébecTel Communications capital expenditures ($32.9 million).

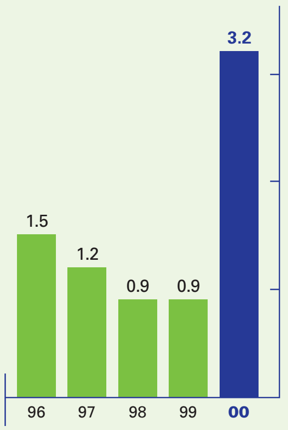
FINANCING ACTIVITIES

($ millions)	2000	1999	Change	%
Cash provided (used) by financing activities	**2,328.5**	(560.5)	2,889.0	–

In May 2000, TELUS Communications Inc. redeemed $150 million of notes and financed the redemption with a $110 million withdrawal of sinking fund assets and the balance with cash from operations.

In June 2000, TELUS Communications (B.C.) Inc. issued $200 million of extendible medium-term notes with an initial maturity of 2003. Other than this single transaction, no additional medium-term notes were issued from the Company's $2.4 billion authorized program ($1.0 billion at TELUS Corporation and $700 million at each of TELUS Communications Inc. and TELUS Communications [B.C.] Inc.). Additional cash needs throughout the year for operating and general corporate purposes including the acquisition of QuébecTel in June were provided by issues from the aggregate $1.5 billion authorized commercial paper programs which were fully backed by committed bank lines of credit.

NET DEBT TO EBITDA



In October 2000, a $7.7 billion senior secured bank credit facility was placed between TELUS Corporation and a number of Canadian, U.S. and offshore banks to finance the Clearnet acquisition and provide ongoing liquidity lines. This facility consisted of three components: (1) a $5.0 billion tranche established as a 364-day bridge facility had approximately $4.0 billion drawn down as at December 31, 2000; (2) a $1.25 billion 364-day revolving line of credit provided a liquid reserve for general corporate purposes; and (3) a $1.45 billion single purpose tranche established to provide funds to the Company in the event that an offer to purchase certain Clearnet notes was triggered upon the change of control of Clearnet. This latter tranche did not have to be used and was cancelled by the Company in December 2000, leaving $6.25 billion of the facility remaining.

As part of the Clearnet acquisition, TELUS assumed $2.6 billion book value of Clearnet debt. In December, Clearnet long-term debt with a face value of $1.3 billion was redeemed for $1.4 billion cash including prepayment premiums of $99.8 million. These repayments were comprised of $484 million for Senior Discount notes scheduled to mature in 2005, $658 million for a secured vendor financing facility and $295 million for a secured bank financing facility.

Subsequent to year-end, TELUS completed the compulsory acquisition of remaining Clearnet Class A non-voting shares outstanding. In addition, TELUS successfully completed exchange offers for 98.7% of the outstanding Clearnet 6.75% Convertible Debentures, and 99.6% of the outstanding Clearnet Warrants. These were exchanged for TELUS Corporation 6.75% Convertible Debentures and TELUS Warrants. TELUS completed compulsory acquisition procedures to acquire the balance of Clearnet 6.75% Convertible Debentures and Warrants in February, 2001.

Credit Facilities

TELUS credit facilities at December 31, 2000, consist of a $6.25 billion Senior Bank Credit Facility, comprised of a $5.0 billion bridge facility with a 364-day term ($4.0 billion drawn and $1.0 billion available) and a $1.25 billion 364-day revolving facility (undrawn) that matures on October 19, 2001; and other bank facilities with an aggregate commitment of approximately $200 million.

LIQUIDITY AND CAPITAL RESOURCE RATIOS

	2000	1999	Change
Net debt to total capitalization (%)	**55.1**	32.2	22.9
Net debt to EBITDA	**3.2**	0.9	2.3
EBITDA interest coverage	**10.9**	12.3	(1.4)

With the acquisitions of QuébecTel and Clearnet, TELUS' net debt to total capitalization ratio and net debt to EBITDA ratio both significantly increased. EBITDA interest coverage decreased due to higher net interest expense from acquisition related debt levels.

CREDIT RATINGS

	S&P/CBRS	DBRS	Moody's
TELUS Corporation			
Senior Bank Debt	BBB+	–	Baa2
Debentures	BBB+	BBB (high)	–
Medium-term Notes	BBB+	BBB (high)	–
Commercial Paper	A-1 (low)	R-2 (high)	–
TELUS Communications Inc. (TCI)			
Debentures	BBB+	A (low)	–
Medium-term Notes	BBB+	A (low)	–
Commercial Paper	A-1 (low)	R-1 (low)	–
Preferred Shares	–	Pfd-2 (high)	–
Clearnet Communications Inc.			
Senior Unsecured Debt	BBB+	BB (high)p*	Ba1
Québec-Téléphone			
First Mortgage Bonds	AA–	AA (low)	–
Debentures	A	A (low)	–
Medium-term Notes	A	A (low)	–
Commercial Paper	A-1	R-1 (low)	–

p* indicates the rating is based on publicly available information

At year-end 2000, the former TELUS Communications Inc. and TELUS Communications (B.C.) Inc. were amalgamated with TELUS Mobility Cellular Inc. into a new entity now known as TELUS Communications Inc. (TCI).

Early in 2000, CBRS/DBRS ratings for TELUS Corporation long-term debt (debentures and medium-term notes) were "A" and "A" respectively while commercial paper ratings were A-1 and R-1(middle) respectively. The CBRS/DBRS ratings for TCI commercial paper were A-1 and R-1(middle). TCI debentures and medium-term notes were rated A(high) and preferred shares as P-2(high) by CBRS while DBRS had also rated TCI debentures and medium-term notes as A(high) and TCI preferred shares as pfd-2(high).

The credit ratings of TELUS Corporation and TCI came under review with the acquisition of Clearnet. DBRS downgraded TELUS Corporation's commercial paper and long-term debt to R-2(high) and BBB(high) and TCI's commercial paper and long-term debt to A(low) and R-1(low), all with stable trends. CBRS assigned a BBB+ rating to the corporate rating and A-1(low) to the commercial paper of TELUS Corporation. All of the ratings for TCI were placed on CBRS' Credit Watch List with Negative Implications pending a full review. CBRS was subsequently acquired by Standard and Poor's and are in the process of harmonizing credit ratings. The ratings table above reflects assigned ratings to date with other assignments pending as the harmonization process proceeds to completion.

FORWARD-LOOKING STATEMENTS

This document contains statements about expected future events and financial and operating results of TELUS Corporation that are forward-looking and subject to risks and uncertainties. Accordingly, TELUS' actual results, performance, or achievement could differ materially from those expressed or implied by such statements and such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations. These statements do not reflect the potential impact of any future acquisitions, mergers or divestitures. In addition to the factors discussed herein, among the other factors that could cause actual results to differ materially are the following: general business and economic conditions in Canada and the Company's service territories in Canada; outcome of debt refinancing terms including timing, amount and cost; competition in local and long distance services, wireless services, data and Internet services and within the Canadian telecommunications industry generally; corporate restructurings and successful integration of wireless operations; adverse regulatory action including CRTC contribution decisions and appeals; outcome of collective agreement negotiations; technological change; taxation; and other risk factors listed from time to time in the Company's reports filed under applicable Canadian securities laws including the Annual Information Form. TELUS disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

2001 FINANCING PLAN

TELUS has a significant financing program to accomplish in 2001. The primary focus is to refinance the $6.25 billion bridge bank facility arranged in October 2000, and to finance net new cash requirements for 2001 totalling approximately $1 billion, including the $403 million annual cost of dividends and $356 million cost of licenses acquired by TELUS in the spectrum auction conducted by Industry Canada early in 2001. The Company may also consider refinancing, during the year, the $1.7 billion of Senior Discount notes outstanding at Clearnet.

TELUS plans to meet these financing needs primarily through bond issues in Canada and the United States, and by arranging a new core bank facility. Dispositions of assets and sales of certain businesses currently carried on by TELUS may also be a significant source of funds. In addition to real estate sales, the Company has announced that it may sell the directory advertising business and is pursuing the sale of its leasing business. Successful outcomes of these sales could realize proceeds of approximately $1 billion. Leasing, securitization transactions, and quasi-equity transactions will also be considered to meet part of the overall financing requirements. Equity issuances, especially in connection with acquisition activity, could form a part of the financing activities.

The size of TELUS' financing requirements means that a major portion of the funding will need to be raised in United States capital markets. TELUS expects to maintain its current position of fully hedging its foreign exchange exposure. Floating rate exposure at the end of 2000 was approximately $2.8 billion, representing 35% of total debt. The Company plans to reduce this exposure significantly during 2001, primarily through issuance of longer term fixed rate debt, and in part by hedging floating rate exposure using derivatives. As a result of the size of borrowings under the bridge facility, 62% of debt outstanding matures in 2001. The Company plans to spread maturities of new debt issuance over a range of years to manage future refinancing risk.

TELUS believes that its internally generated cash flow combined with its ability to access external capital provide sufficient resources to finance its cash requirements during 2001. The capital markets currently appear receptive to financings by TELUS, but there is no assurance that there will be continued availability of the financing we require or, if available, that the terms will be attractive to the Company.

TELUS has an objective to preserve ongoing access to capital markets at a reasonable cost by maintaining its investment grade credit ratings. This will be facilitated by implementing the financing plan in the manner set out above, and by striving over the longer term to move the debt to total capital ratio toward 50%.

REPORTING BACK ON 2000 KEY ISSUES

The following nine key issues for 2000 were highlighted in last year's TELUS annual report. In the letter to shareholders we also stated that we intended to achieve an average total shareholder return of 15% or more per year for the next five years. In 2000, shareholders enjoyed a 22% total return (price gain of 18% and dividend yield of 4%).

Appointment of a new President and CEO of TELUS and a new President of TELUS Mobility

Darren Entwistle was announced as the new President and CEO of TELUS in early June and assumed his duties in July. He made an immediate positive impression on employees and shareholders alike with his launch into a 100-day planning and strategy process, and the bold acquisition of Clearnet Communications.

John Maduri was appointed President of TELUS Mobility in May, coming to TELUS with a strong background including 14 years of senior financial and operating experience in the wireless industry. Subsequent to the Clearnet acquisition in October, George Cope, the well-regarded CEO of Clearnet, assumed leadership for the combined TELUS Mobility. John has become President of the new Business Solutions unit.

Minimize effectiveness of competitors in our western markets

As shown below, TELUS was successful in minimizing losses to competitors in the West.

Market Share (%)	2000 estimate	2000 actual
Local	94 – 95	98
Long Distance	69 – 70	71
Wireless	54 – 55	56

Local market share losses were minimal due to the pull back of a competitor in the residential market and the success we achieved with the bundling of residential services – adding 480,000 in the year – and an approach to the business market that uses competitive bids and contracts. Competitors in the local, long distance, wireless and high-speed Internet markets were still very active. An example of the new competitive reality was the Province of Alberta awarding a contract to a Bell Intrigna consortium to build a high-speed broadband network to government buildings in

400 communities over the next 10 years. We consider that this was more of a publicity setback than a financial loss given our focus on targeting communities where we see good financial returns. While Bell affiliates move into Western Canada, TELUS is expanding nationally to compete in areas covering 77% of the Canadian population. While we recognize that western cable-TV companies have been effective in attracting high-speed Internet customers in 2000, we are pleased to see our share steadily rising.

Ramp-up of national sales beginning in the second quarter and extension of service to up to 20 more cities

At the start of the year, we planned to generate up to $45 to $50 million of revenues from telecom, cellular resale and directory advertising outside the West, which we achieved. In addition, we jumpstarted our entry into the Québec market by two years with the $584 million purchase of 70% of QuébecTel in June. This added $225 million of revenue in the last seven months of 2000. At the end of the year, we were offering service in 16 cities in Ontario, Québec and Manitoba.

National growth plans accelerated with the purchase of Clearnet Communications, which added a fast-growing national wireless revenue base that generated $125 million in the last two months and 12 days of the year. Their annual revenue growth rate in 2000 was 53%.

Access to digital/PCS spectrum outside Western Canada would allow the Company to compete more economically on our own facilities, rather than by wireless resale. Industry Canada expected to auction 40 MHz of PCS in the fall of 2000

The purchase of Clearnet added approximately 45 MHz of spectrum in most major urban areas of Canada and provided TELUS more spectrum in such areas, including 55 MHz in the West, than any other North American telecommunications company. This provides an ongoing advantage, such as higher capacity, lower growth-related capital expenditures in the future, the ability to offer our customers increased functionality, richer service offerings and better quality of service. Most importantly, we vaulted from a regional player to an immediate position of national leadership. The transaction immediately transformed TELUS Mobility from a regional player pursuing a high-risk national start-up strategy to a full functioning national operator that leads the entire Canadian wireless industry in terms of total revenue, revenue growth, average revenue per subscriber, and wireless spectrum position.

The Industry Canada auction for PCS spectrum was delayed into early 2001. However, the strategic imperative of having to be a successful bidder for at least two of the four 10 MHz licenses auctioned in each region, and the resulting uncertainty related to the likelihood and cost of obtaining such required spectrum through the auction was eliminated for TELUS because of the Clearnet transaction. The auction was conducted in January, 2001, and TELUS successfully acquired 10 MHz of spectrum in five licensed areas covering a population of 17.4 million (1996 statistics), including the key urban markets around Toronto, Montréal and Ottawa. The additional spectrum was acquired at an attractive price, particularly when compared to what U.S. and other international wireless operators paid in spectrum auctions held recently outside of Canada. Through the auction, the up to four-player competitive environment was substantially maintained in the Canadian wireless industry.

Investors valuing TELUS' segmented wireline, data, wireless and national assets more highly

This particular goal is hard to measure given the volatility of the stock market and the complexity of share valuation. Including the impact of dividend re-investment, TELUS' voting shares returned 22% and closed at $41.55 at year-end 2000, while the non-voting shares returned 17% and closed at $39.25. We believe that apparent specific valuation discounts improved during 2000, and included increased certainty of leadership, greater understanding and support for the strategic plan of TELUS, securing a national wireless position and significantly reduced spectrum auction risk. This share price performance occurred despite share and earnings dilution from the two major acquisitions made by TELUS as well as a record decline in global telecommunications stocks – down 41% in 2000 – as measured by MSCI Global Telecom Index. After rising for several years, wireless and data/IP valuations fell significantly in North America during 2000; however, the share prices of regional full service telecommunication companies in Canada rose strongly in 2000.

Successfully complete the integration of B.C. and Alberta operations without negatively impacting customer service due to rapid change in processes or labour unrest – while achieving $160 to $180 million of cost efficiencies

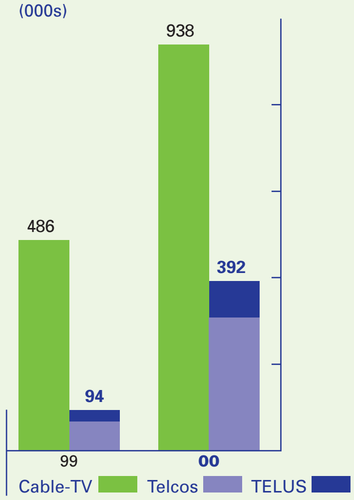
This objective was achieved under a variety of measures. Market share losses were minimal, customer satisfaction measures improved and financial saving targets were exceeded as we achieved an estimated $199 million of accumulated savings over the last two years. There was one short illegal walkout involving 1,000 employees in August in customer service, but labour relations were otherwise generally satisfactory.

Capture an increasing share of the fast-growing high-speed Internet access services, Web portal and content business and e-commerce applications

TELUS achieved its goal of more than tripling its high-speed Internet base on ADSL technology by reaching 81,000 subscribers in the West. TELUS and other telcos are closing the gap on the cable-TV companies in the share of high-speed Internet subscribers.

TELUS Web portals were launched during the year in Alberta (Alberta.com) and Toronto (MyTO.com) using our unique local content and partnership approach. As a result, monthly page views and unique visits more than doubled to 49 million and 1.7 million respectively, putting our Web sites into the top three among Canadian-owned sites. Several new e-commerce initiatives were launched including Internet-based fax services, EPOST business mail and an ASP alliance with HP Canada. As a result, basic, enhanced and managed data and Internet revenues in 2000 increased by 10% overall and in the Internet segment revenue was 52% higher.

HIGH-SPEED INTERNET SUBSCRIBERS – CANADA
(000s)



Source: Credit Suisse First Boston

Capture a larger share of the fast-growing wireless prepaid segment, increase TELUS Mobility's digital subscriber/wireless customer base and introduce new wireless data and Internet services as a basis for creating future revenue growth at TELUS Mobility

TELUS Mobility significantly increased its prepaid base in the West during the year through increased marketing. Clearnet launched a digital prepaid service, Pay & Talk, in August and by year-end the combined TELUS Mobility had 192,700 prepaid subscribers. Pay & Talk was also notable in being the first prepaid service which was Web/Internet ready. TELUS Mobility also launched wireless Internet services during the year branded i-Web™, Surf™ and Surf-A-Lot™. Through partnerships with numerous infrastructure and content providers, customers are offered a wide variety of services such as news and information, stock quotes, directories, games, and banking and financial transaction services. Wireless Internet services were made available on prepaid offerings that appeal to the youth market, which also tends to more readily adopt new wireless and data services.

In July, TELUS Mobility committed to an accelerated digital network build in the West and a program to migrate higher value customers onto the latest digital handsets. Including the subscribers of Clearnet and QuébecTel Mobilité at the end of 2000, digital subscribers comprised 57% of total wireless subscribers.

Achieve the financial earnings targets as outlined

The TELUS 1999 annual report outlined targeted ranges for earnings per share, revenue growth, merger cost savings, EBITDA, operating cash flow growth, and capital spending. Certain measures were adjusted in July and October because of the purchase of QuébecTel and Clearnet. While they negatively impacted earnings, cash flow and increased capital expenditures, these transactions were important for the enhancement of future revenue and earnings growth potential. It is notable that, excluding the impact of the Clearnet and QuébecTel acquisitions, TELUS would have met or exceeded stated 2000 original guidance.

	Original Guidance	Adjusted Guidance	Actual
Earnings per share	$2.47 to $2.57	$1.85 to $1.95	$2.12*
Cash EPS1	–	$2.05 to $2.15	$2.31
Revenue growth	2 to 3%	8 to 9%	9.6%
EBITDA growth	4 to 6%	4 to 6%	5.9%
Operating Cash Flow	Approx. 10%	–	4.0%
Merger Cost Savings2	$160 to $180 mil.	Same	$199 mil.
Capital Expenditures	$1.3 bil.	$1.5 bil.	$1.44 bil.

1 Earnings per share before amortization of intangible assets, restructuring costs net of tax, revaluation of future tax assets, and goodwill amortization.
2 Cumulative savings for 1999 and 2000.
* normalized for non-cash future tax asset revaluation of 27 cents.

OUTLOOK 2001

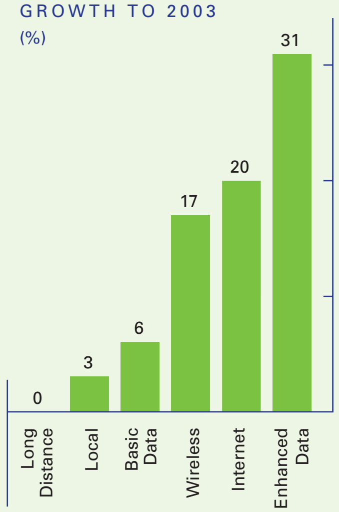
Telecommunications Industry

The Canadian telecommunications industry in 2000 continued on the path of increasing competition, consolidation and technological convergence. These events have been driven by a move towards deregulation and globalization in the industry for a decade. However, Canada has foreign ownership restrictions of 33$^{1}/_{3}$% on voting shares. This serves to restrict access to capital to a degree and reduces demand for voting shares for certain communications companies, including TELUS. The federal government, in the context of domestic and international policy considerations, is examining this issue, which could result in a change within the next few years.

The Canadian telecom industry in 2000 generated revenue of about $32 billion (according to Company estimates) of which Bell Canada and its affiliated regional telcos controlled more than half. The acquisitions of Clearnet and QuébecTel added more than $800 million of annual revenue to TELUS. As a result, TELUS controlled about $7 billion of revenue in 2000 or 22% of the industry – up from 20% a year ago. There are more than a dozen other companies competing for the remainder.

The 2000 revenue growth in the Canadian telecom market was about 11%. Growth rates varied widely among the types of service, with data, Internet, and wireless leading the way while long distance has become priced as a commodity. TELUS has clearly stated that it will more tightly focus on the high-growth markets of enhanced data and wireless nationally and to ensure we participate in high-speed Internet growth in the West.

3 YEAR ESTIMATED CANADIAN TELECOM REVENUE ANNUAL GROWTH TO 2003
(%)



Source: Company estimates, industry analyst reports

Industry experts point to several important catalysts for future growth and change in telecommunications. These include moving through the upward acceleration or inflection point in the ratio of population using wireless, the convergence of data/IP, voice and wireless services, and the explosive growth in IP data transmission.

In 2000, Canada passed the inflection point where one-quarter of the population are wireless subscribers. Experience in other countries suggests that Canada with its 28% wireless penetration of total population ratio – a gain of 6% in 2000 – is moving into a period of accelerated wireless growth. This growth is being spurred by an array of new products, applications and marketing approaches with wireless Internet at the forefront.

The convergence of communication applications provides new service opportunities from new applications like IP over wireless, but also from the complexity of telecommunications technology and services where a full service company can bundle services and offer one-stop solutions.

Industry commentators point to IP/data growth of 100% or more a year that will soon position IP as the dominant form of traffic on long-haul networks driving high growth but also lower prices. Network scale and utilization will emerge as important determinants of cost competitiveness. With the current difficulties for new entrants in raising capital and the need for incumbent telcos to restructure to meet these changes, we may see more consolidation and a continued reduction in players in North America.

Moving into 2001, there are a number of economic and capital market factors that may accelerate consolidation and actually reduce the aggressiveness of certain competitors. The softening of the economy and the severe decline in values of most IP-based companies has severely constrained their access to capital and, in some cases, growth. Many new entrants are conserving cash and laying-off employees. This is clearly an opportunity for well-capitalized companies, with continuing access to sources of funding, that intend to grow through acquisition. On the other hand, an economic slowdown may affect volume growth going forward for all communication companies.

Key Priorities and Targets for 2001

TELUS is intent on delivering on six strategic imperatives as outlined in the President and CEO's letter on pages 6 to 9. Furthermore, the Company is focused on delivering on six key priorities related to People, Customer Satisfaction, Mobility, Data/IP, Growth and Financial Position – outlined on pages 11 to 12. A key financial priority is to refinance a significant portion of our short-term bank facilities with mid to long-term maturities. See 2001 Financing Plan on page 50.

In addition, there are a number of potential issues and potential developments in 2001 that investors should be aware of that are covered in the 2001 Targets, 2001 Financing Plan, and Risks and Uncertainties sections on pages 14, 50 and 55 to 60, respectively.

Financial Targets and Issues

TELUS is focused on achieving solid growth in revenue and EBITDA in 2001 facilitated by increased capital spending and aggressive customer growth targets. The following objectives were publicly announced on February 14, 2001. These projections are subject to the forward-looking statements on page 49 and certain forecast sensitivities discussed below.

	2001	2000
Revenue	**17–19% increase**	$6.43 billion
EBITDA	**11–13% increase**	$2.46 billon
Cash Earnings[1]	**$270 to $290 million**	$571 million
Cash EPS[2]	**$0.93 to $1.00**	$2.31
Capital expenditures	**$2.0 to $2.2 billion plus $356 million for wireless spectrum**	$1.44 billion
Proceeds from Divestitures	**$900 million to $1 billion**	$97 million

1 Common share income before amortization of acquired intangible assets, restructuring and refinancing costs net of tax, revaluation of future tax assets, and goodwill amortization.
2 Cash EPS: Cash Earnings on a per share basis.

The revenue increase target range is generated approximately equally from organic growth and from the full-year inclusion of Clearnet and QuébecTel results. Contributing to the revenue growth is the targeted increase of approximately 500,000 net additional wireless subscribers (a 23% increase), and 95,000 new high-speed Internet subscribers (more than double). In addition, the newly formed Global Trading & Partner Solutions, which targets the wholesale market, is expected to increase revenues.

Double digit EBITDA growth reflects the strength and continued cost control of the western wireline business offset in part by the start-up costs in new national growth initiatives, including the negative EBITDA position of newly acquired Clearnet

A key sensitivity to the EBITDA target is the expectation that the CRTC decision on 2001 contribution charge methodology will not be overturned or modified. If overturned, it could have a negative EBITDA impact of approximately $90 million.

TELUS management considers Cash EPS to be more representative of economic value creation for its shareholders because of its lack of distortion by many non-cash or non-recurring charges. Accordingly, the 2001 financial targets focus on Cash EPS rather than conventional EPS.

Cash EPS will be lower in 2001 due primarily to full year impact of financing costs from the Clearnet and QuébecTel acquisitions and a higher number of shares outstanding arising from the Clearnet acquisition.

Not included in these EPS numbers are planned first quarter 2001 one-time restructuring and refinancing charges estimated to be between $275 to $325 million pre-tax related to the corporate re-organizations as well as the Clearnet and QuébecTel acquisitions completed in 2000.

Capital expenditures are focused on generating long-term growth, principally in the wireless and data areas. The largest increase is at TELUS Mobility, caused by inclusion of a full year's expenditures and the extension of our digital coverage footprint in all regions of Canada, which entails new cell sites and switches plus the acquisition of additional spectrum in 2001. Other examples of new capital investments are high-speed ADSL Internet deployment, next generation integrated network platforms and Web-hosting sites. Offsetting this will be lower expenditures on the largely completed national fibre network and the traditional local and long distance voice network.

RISKS AND UNCERTAINTIES

The following sections summarize the major risks and uncertainties that could affect TELUS business results going forward.

Competition

Increased competition may adversely affect market shares, volumes and pricing in certain of TELUS' business segments

Over the next several years, it is expected that competition will remain intense. Competitors will primarily focus on the local access, data and e-business services in the business market and high-speed Internet and wireless services across both consumer and business markets. This is due to the higher growth and attractive margin potential in these areas. Long distance is experiencing flat to negative revenue growth and voice local access has low growth. However, competitors are intent on winning market share in the slower-growth large business local voice market, as they see incumbent carriers such as TELUS as having unsustainably high regional market shares.

Voice and Data

TELUS expects local access competition activity to increase in 2001 with the main focus on the business market. All competitors offer a varying array of long distance, local and advanced data/IP services. TELUS' major business market competitors are increasingly bundling long distance with price discounted local access and advanced data/IP centric Web and e-commerce type services. Many TELUS competitors have built extensive local fibre-optic facilities throughout Western Canada over the last several years and in some cases have consolidated to become stronger. These competitors are increasingly focusing on marketing and revenue generation in the small and medium business market due to its more attractive margins. Some of these competitors are subsidiaries or affiliates of companies with extensive financial strength and resources.

Competition is also likely to intensify in the large business market. TELUS was formerly a member of Stentor, an alliance of the major regional Canadian telecommunications companies established to facilitate the provision of long distance and data services which cross provincial and national boundaries, and to facilitate planning and coordination of the provision of national services. In 1998, the former Stentor members agreed to unwind existing arrangements and replace them with a new set of commercial agreements. These agreements contemplate an orderly wind down to the former Stentor services as the members develop their own systems and replacement products and services. It is expected that most of the former Stentor systems will be replaced by 2002. As the evolution to independent systems proceed, competition is likely to intensify for large business clients between TELUS and the former Stentor members.

A second tier of new competitors has recently entered the business market. Most do not yet own any extensive local or long haul fibre-optic facilities and their operations are still largely based in Eastern Canada. However, they are expanding in varying degrees to Alberta and British Columbia. In addition, many are well capitalized and expanding their operations and marketing infrastructures, lowering prices and slowly gaining market share.

TELUS has been actively building local and cross-Canada fibre-optic facilities into Eastern Canada. However, there can be no assurance that TELUS will be successful in its efforts to expand its market share in Eastern Canada or that pricing will remain at reasonable levels.

Wireless

Cellular competition is likely to intensify in 2001. TELUS and certain of its competitors provisionally won additional digital wireless spectrum in February 2001 in Industry Canada's spectrum auction. One of TELUS' major competitors in Eastern Canada is expected to become a facilities based digital wireless competitor in Western Canada by building its own network and operational capability using spectrum acquired through the auction.

With four major players including TELUS in the Canadian wireless marketplace, new pricing, aggressive advertising and innovative marketing approaches are the norm. Certain competitors have lowered prices in the past and may continue to do so, which could lower average revenue received per customer.

Wireless competition is also coming from new digital wireless technologies that deliver higher-speed data/Internet services over current and next generation wireless devices. Such availability may also lead to increased re-subsidization costs related to the migration of existing subscribers to newer Web browser capable handsets. There can be no assurance that new services offered by TELUS will be available on time, be as versatile or as popular as those of its competitors, and that TELUS will be able to charge incrementally for the services. (See "Technological Change.")

Wireline Internet Access

While residential dial-up Internet access competition and growth is moderate, the battle for residential high-speed wireline Internet access remains intense. Cable-TV companies continued to aggressively gain high-speed customers in 2000, but encountered serious system problems in the second half of the year and early in 2001. Telecommunications companies began to close the market share gap by extending their high-speed coverage and accelerated subscriber sign ups, which is likely to continue in 2001. However, TELUS has been constrained in its provisioning ability to satisfy demand for high-speed Internet service. Also, telecommunications companies cannot offer high-speed service to all of their service territory due to the distance and condition of the lines extending from central offices out to customer locations. As a result, TELUS risks losing market share to cable-TV companies.

Voice over Internet Protocol (VoIP)

A new developing service that may start to negatively impact TELUS' local and long distance business over the next few years is Internet telephony, called VoIP. Although, VoIP has been a technology in progress for several years, in December 2000 it became available nationwide for the first time through a provider offering unlimited North American long distance and 56 kbps Internet access starting at a monthly rate of $19.95. In addition, new cable-TV modems are expected to allow cable-TV companies to begin offering VoIP over their networks in the next few years. Although TELUS is working on similar technology there can be no assurance that it will be developed successfully or that the adoption of VoIP services in the market will not erode the existing market share of TELUS or adversely affect future revenue and profitability.

Economic Fluctuations

Economic Fluctuations may adversely impact TELUS

In recent months there have been increasing indications that North American economic growth is slowing. For example, there have been employee layoffs in certain sectors of the Canadian economy such as the auto sector and supply of telecommunication infrastructure. Monetary authorities have moved to lower interest rates in early 2001 to stimulate the economy and federal and provincial tax rates are expected to be reduced in 2001, but the effect of these moves, if successful, can take several quarters to stimulate the economy. As a result, residential and business telecommunications customers may delay new service purchases, reduce volumes of use and/or discontinue use of services.

Financing and Debt Requirements

The large increase in short-term debt in 2000 at TELUS increases the risk that business plans, growth and dividends could be negatively affected, if new financing is not obtained or sales are not completed

The purchase of Clearnet and QuébecTel in 2000 caused an almost four-fold increase in net debt at TELUS to $8.0 billion. This was accomplished with a $6.25 billion bank syndication based on obtaining investment grade debt ratings in both Canada and the U.S. The debt outstanding at the 2000 year-end included $5.1 billion due within one year and $545 million denominated in U.S. dollars, which is fully hedged against foreign exchange fluctuations. TELUS requires a major refinancing in 2001 to lengthen and vary the maturity of its debt, if possible, to reduce exposure to short-term interest rate movements and maintain a fully hedged position against foreign exchange fluctuation risk. This "Financing Plan" is detailed on page 50.

TELUS has announced its intention to sell approximately $1 billion of non-core or mature assets to help fund growth and reduce debt levels. In late 2000 and early 2001, TELUS sold three office towers and other real estate for total proceeds of $205 million, announced an intention to divest the directory advertising business and is exploring the sale of its leasing subsidiary.

There can be no assurance that financial market conditions and debt ratings will remain stable or that TELUS will be successful in executing its financing plan, or that it will be able to do so at rates, terms and conditions that are reasonable. There can be no assurance that it will be able to sell additional assets or do so at reasonable prices. Accordingly, there can be no assurance that TELUS can fully complete its $2.0 to $2.2 billion capital program in 2001, make additional acquisitions, or maintain current dividend levels.

Dividend

Current dividend levels may be inconsistent with the growth strategy of TELUS

The debt of TELUS is currently rated investment grade and TELUS plans to maintain this status. The business plan of TELUS contemplates increased capital expenditures in the growth areas of wireless, data and IP as well as to expand on a national basis. However, the extent of any future growth in operating cash flow may be constrained, among other reasons, by the flexibility of TELUS to fund attractive growth opportunities given the non-tax deductible nature and amount of current dividends relative to the objective of maintaining an investment grade credit rating. Also, future revenue and cash flow growth targets may not be achieved, reducing the financial flexibility to maintain the current dividend level. The dividend payout on shares of high growth acquisition targets (such as Clearnet in 2000) is likely significantly less than that of TELUS and may be zero. Accordingly, a continued acquisition program involving share consideration may be inconsistent with maintaining current dividend levels. TELUS reviews its dividend policy quarterly and while there is no current plan to change the dividend payout, there can be no assurance that a future change will not be implemented, and it is difficult to predict what effect this may have on the price of TELUS shares.

Human Resources

The shortage of skilled employees is a challenge for all communications companies and TELUS is in the midst of negotiations with its union

Shortage of telecommunications talent in the industry

The ability to attract and retain talented employees is critical to the success of TELUS in meeting customer needs. People have never been as important to this organization as they are today given the increased focus on wireless, data and IP services. This, coupled with low unemployment rates, an aging workforce with increasing retirements and an imbalance between supply and demand of talent in the telecommunications market, creates a challenge for TELUS and its competitors. If TELUS does not attract and retain talented employees, it may adversely affect TELUS' growth objective and limit TELUS' ability to deploy new technology. (See "Organizational restructuring and TELUS Mobility and Clearnet integration.")

New Contract Bargaining with the Telecommunications Workers Union (TWU)

In 2000, TELUS' application to the Canada Industrial Relations Board (CIRB) resulted in a new consolidated bargaining unit. There are five collective agreements covering over 17,000 employees in Alberta and British Columbia. At the end of 2000, these agreements expired and negotiations for a single new collective agreement commenced in November 2000. Bargaining sessions are continuing.

TELUS is committed to achieving a collective agreement that is fair to employees while maintaining customer focus and being sufficiently flexible to enable TELUS to operate in a highly competitive market. TELUS recently received a decision from CIRB that declined to specify a geographical limitation of the new bargaining unit to Alberta and British Columbia. TELUS is currently reviewing this decision to determine the potential impacts. There can be no assurance that compensation expense will be as planned, or that reduced productivity and work disruptions will not occur.

Organizational restructuring and TELUS Mobility and Clearnet integration

Restructuring and integration activities introduce potential for temporary customer service degradation

TELUS began a company-wide major organizational restructuring in the fourth quarter of 2000 that extended into 2001. In addition, certain systems and processes of the Clearnet organization continue to be integrated with those of both the western TELUS Mobility organization and QuébecTel Mobilité organization to create a cohesive national TELUS Mobility unit. These initiatives may distract the organization and negatively impact customer service levels, TELUS' competitive position and financial results.

Clearnet integration benefits may not be realized

There can be no assurance that the future operating expense, capital expenditure and tax savings expected by management and investors in connection with the Clearnet acquisition, will materialize as planned.

Technological Change

Changing technology in data, IP and wireless may adversely affect revenues, costs and value of assets

The pace and the scope of technological advancements in the communications industry are expected to continue to accelerate in the foreseeable future. Two of the universal characteristics of technological advancements are lower unit costs and increasing flexibility. This creates opportunities for new and existing competitors to offer price reductions and service differentiation to gain market share. TELUS' future success will be dependent upon its ability to anticipate, invest in and implement new technologies with the levels of service and prices that its customers require. TELUS may be required to make more capital expenditures than are currently expected if a technology's performance falls short of expectations and TELUS' earnings may also be affected if technological advances shorten the useful life of some of its assets.

The digital protocols utilized by TELUS may become technologically inferior which could adversely affect TELUS

The wireless industry is in the process of adopting second (2.5G) and third generation (3G) technologies that are expected to deliver increased data speeds required to deliver many new wireless IP and data services. Various operators are announcing capital cost plans to permit existing wireless protocols to migrate to 2.5G in 2001 and 3G subsequently over the next two to three years. While we believe TELUS Mobility's CDMA protocol has a reasonable and cost effective migration path to 2.5G and 3G, there can be no assurance that it will be successful and timely. TELUS will continue to assess this issue during the year. In addition, the TELUS Mike service uses an iDEN technology protocol which already has packet capability and service offerings in contrast to competitive protocols; however, it has not yet been fully determined how it will migrate to 3G.

Regulatory

Regulatory developments could have an adverse impact on TELUS' operating procedures, costs and revenues

TELUS' telecommunications services are regulated under federal legislation through the CRTC. The CRTC has taken steps to forbear from regulating prices for certain services such as long distance and some data services and does not regulate the pricing of wireless services. Major areas of regulatory review currently include the contribution payment regime, price cap regulation of local telephone rates and access issues with cities and building owners.

The outcome of the regulatory proceedings and court appeals discussed below and other regulatory developments could have an impact on TELUS' operating procedures, costs and revenues. There can be no assurance that these regulatory outcomes will not be materially adverse to TELUS.

Contribution payment calculation modified by CRTC

The CRTC requires TELUS and other regional telephone companies to provide basic residential services at below-cost rates in high cost serving areas (e.g., rural areas). In a recent decision, effective January 1, 2001, the CRTC expanded the application of contribution charges that provided for a partial subsidy to high cost serving areas beyond long distance services. The new contribution charges are being assessed as a percentage of eligible revenues on wireline and wireless local and long distance, voice and data services. For the first time, the CRTC decision requires subsidy payments of 4.5% of eligible revenues in 2001 replacing a per-minute mechanism that only collected contribution on the long distance market segment. This is an interim rate for 2001 and the only exceptions are retail ISP and paging revenues. For the wireless operators, contribution payments are to increase substantially in 2001 with payments in 2002 and beyond still to be decided upon.

The CRTC also determined that contribution charges will now be pooled nationally rather than regionally and that an adjustment is to be made to account for 2001 contribution charges that will apply to price capped services. As a result, TELUS will retain revenues in 2001 that otherwise would have been reduced under price cap regulation. This decision is under appeal to the CRTC by Bell Canada and, if overturned or modified, the result could be adverse to TELUS revenues and earnings in 2001.

In 2002, the calculation of the contribution subsidy will also change as a result of the CRTC decision. The CRTC has adversely modified the basis upon which the required subsidy to fund service to high cost areas is calculated by excluding certain costs that can be recovered through the contribution regime. TELUS is uncertain of the impact and can give no assurance that TELUS' earnings will not be adversely affected.

Price cap regulation reviewed by the CRTC in 2001

Price cap regulation was introduced in 1998 and will continue until the end of 2001. The CRTC is beginning its review of the regulatory regime to be in place in 2002 and beyond. The first stage of the review was undertaken in 2000 when the CRTC asked for public comments on what should be included in the price caps review. TELUS will seek to modify the price cap regime to achieve greater pricing flexibility for regulated services. A new or modified regulatory regime is scheduled to come into effect on January 1, 2002. Until the details of the new or modified regulatory regime are known, TELUS is uncertain of the impact and can give no assurance that TELUS' earnings will not be adversely affected.

Terms of access

TELUS is participating in a CRTC proceeding to establish terms of access to tenants in multi-unit dwellings such as apartment buildings and office complexes. Building owners are currently demanding substantial fees for such access in much the same way as municipalities are demanding fees for access to rights-of-way. A CRTC decision on this issue is expected in 2001. A January 2001 decision by the CRTC on municipal rights of way fees was favourable to telecommunications and cable-TV companies, generally restricting payments to costs of construction and the municipalities' lost revenues, but rejecting annual fees. It is expected that the decision will be appealed by certain cities. If annual fees are charged, the earnings of TELUS could be materially affected.

Radiocommunication License Review

In 2001, the federal licenses to members of the TELUS group of companies to provide PCS and cellular service in Canada are up for five-year regular review. License renewal conditions include substantially honouring commitments made and meeting certain performance levels specified in the original application to Industry Canada for such licenses. These include obligations regarding coverage and build-out, spending at least 2% of certain PCS and cellular revenues on research and development, annual reporting and resale to competitors, among others. While TELUS believes that it is substantially in compliance with its license conditions, there can be no assurance that it will be found to comply with all license conditions or if found not to be compliant, that a waiver will be granted or, that the costs that will be required to be incurred to achieve compliance will not be significant. In addition, although TELUS believes that its licenses should be renewed for another five years, it cannot be certain of the terms or time period for such renewals.

Health and Safety

Concerns about health and safety, particularly in the wireless business, may affect future prospects

Radio Frequency Emission Concerns

Contrary to the body of current science, some recent studies have asserted that radio frequency emissions from cellular telephone handsets may be linked to certain medical conditions such as cancer. However, other studies investigating the effect of such emissions performed to date for wireless telephone equipment manufacturers and independent government and other agencies have found no public health risk. TELUS believes that the handsets sold by TELUS comply with all applicable Canadian and U.S. government safety standards.

Future health studies, government regulation or public concerns could have an adverse effect on the business and prospects for TELUS' wireless business. For example, public concerns could reduce customer growth and usage or increase costs as a result of the need to modify handsets and from product liability lawsuits.

Safe Driving

TELUS promotes safe driving and recommends that driving safely should be each wireless customer's first responsibility. Recently, the Insurance Corporation of British Columbia and the University of Montréal released studies showing some increase in distraction levels for drivers using cell phones while driving. TELUS strongly believes that current laws already adequately address careless and negligent driving and that laws that are specific to mobile phones are unnecessary and counterproductive. There can be no assurance that laws against utilization of mobile phones while driving will not be passed and that, if passed, such laws will not have a negative effect on customer growth rates, usage levels and wireless revenues.

Strategic Partners

TELUS' interests may conflict with those of our strategic partners

While strategic alliance partners such as Verizon and Genuity are expected to assist TELUS in executing its growth strategy in Canada, their interests may not always align with those of TELUS. This could potentially affect the speed and outcome of strategic decisions.

Sales of substantial amounts of our stock by our strategic partners may cause our stock price to decline

Some of our strategic partners may decide to sell all or part of their share positions. For example, Motorola and Nextel are permitted to sell their combined 21.4 million non-voting shares, an 8.2% economic interest beginning in October 2001. Verizon could sell all or part of its 41.1 million voting and non-voting shares, a 21% economic interest. Sales of substantial amounts of TELUS stock, or the perception that these sales could occur, could adversely affect the market price of TELUS shares.

management's report

Management is responsible to the Board of Directors for the preparation of the consolidated financial statements of the Company and its subsidiaries. These statements have been prepared in accordance with generally accepted accounting principles and necessarily include some amounts based on estimates and judgements. Financial information presented elsewhere in this annual report is consistent with that in the consolidated financial statements.

The Company maintains a system of internal control which provides management with reasonable assurance that assets are safeguarded and that reliable financial records are maintained. This system includes written policies and procedures, an organizational structure that segregates duties and a comprehensive program of periodic audits by the internal auditors. The Company has also instituted policies and guidelines which require employees to maintain the highest ethical standards.

The external auditors of the Company, Arthur Andersen LLP, have been appointed by the shareholders to express an opinion as to whether these consolidated financial statements present fairly the Company's consolidated financial position and operating results in accordance with generally accepted accounting principles. Their report follows.

The Board of Directors has reviewed and approved these consolidated financial statements. To assist the Board in meeting its responsibility, it has appointed an audit committee which is composed entirely of outside directors. The committee meets periodically with management, the internal auditors and the external auditors to review internal controls, audit results and accounting principles and practices. The committee's terms of reference are available, on request, to shareholders.

Robert McFarlane
Executive Vice-President
and Chief Financial Officer

auditors' report

To the Shareholders of TELUS Corporation

We have audited the consolidated balance sheets of TELUS Corporation as of December 31, 2000 and 1999 and the consolidated statements of income, retained earnings and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2000 and 1999 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles. As required by the British Columbia Companies Act, we report that, in our opinion, except for the change in the method of accounting for employee future benefits as described in Note 3 to these financial statements, these principles have been applied on a consistent basis.

Arthur Andersen LLP

Arthur Andersen, LLP
Chartered Accountants
Vancouver, B.C.
February 2, 2001

consolidated statement of income

Years Ended December 31 *(millions)*	**2000**	1999
OPERATING REVENUES		
Local service	**$ 3,494.4**	$ 3,195.0
Long distance service	**1,662.7**	1,609.1
Other (Note 5)	**1,276.1**	1,068.2
	6,433.2	5,872.3
OPERATING EXPENSES		
Operations	**3,968.4**	3,544.9
Depreciation and amortization	**1,163.3**	1,054.6
Amortization of acquired intangible assets	**24.6**	–
	5,156.3	4,599.5
OPERATING INCOME	**1,276.9**	1,272.8
Other income	**30.1**	40.2
Financing costs (Note 6)	**316.9**	188.7
Restructuring costs (Note 1(b))	**–**	466.3
INCOME BEFORE INCOME TAXES, NON-CONTROLLING INTEREST AND GOODWILL AMORTIZATION	**990.1**	658.0
Income taxes (Note 7)	**496.1**	296.9
INCOME BEFORE NON-CONTROLLING INTEREST AND GOODWILL AMORTIZATION	**494.0**	361.1
Non-controlling interest	**8.7**	3.9
INCOME BEFORE GOODWILL AMORTIZATION	**485.3**	357.2
Goodwill amortization	**24.3**	7.5
NET INCOME	**461.0**	349.7
Preference and preferred share dividends	**3.5**	3.5
Interest on convertible debentures	**1.5**	–
COMMON SHARE INCOME	**$ 456.0**	$ 346.2
EARNINGS PER COMMON SHARE ($)		
Income before acquired intangible assets amortization, restructuring costs, revaluation of future tax assets and goodwill amortization	**2.31**	2.61
Income before restructuring costs and goodwill amortization	**1.94**	2.61
Common share income	**1.85**	1.46
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	**247.0**	236.6

consolidated statement of retained earnings

Years Ended December 31 *(millions)*	**2000**	1999
BALANCE AT BEGINNING OF YEAR	**$ 1,457.5**	$ 1,495.9
Net income	**461.0**	349.7
	1,918.5	1,845.6
Less – Preference and preferred share dividends	**3.5**	3.5
– Interest on convertible debentures	**1.5**	–
– Premium paid on repurchase of shares and share options	**0.6**	1.3
– Merger costs	**–**	51.9
– Common share dividends	**349.5**	331.4
BALANCE AT END OF YEAR	**$ 1,563.4**	$ 1,457.5

The accompanying notes are an integral part of these financial statements

As At December 31 *(millions)*	**2000**	1999
ASSETS		
Current Assets		
Cash and temporary investments	**$ 100.2**	$ –
Accounts receivable (Note 8)	**1,008.5**	663.6
Income taxes receivable	**3.0**	69.0
Inventories	**151.7**	56.3
Current portion of future income taxes	**251.2**	266.0
Current portion of sinking fund assets (Note 9)	**–**	105.4
Prepaid expenses and other	**234.2**	72.0
	1,748.8	1,232.3
Capital assets, net (Note 10)	**11,531.0**	5,878.3
Other Assets		
Deferred charges (Note 11)	**216.7**	117.1
Future income taxes	**1,024.4**	420.8
Investments	**17.9**	4.7
Leases receivable	**80.5**	66.3
Goodwill (Note 2(f))	**1,794.5**	64.8
Other	**1.2**	12.8
	3,135.2	686.5
	$ 16,415.0	$ 7,797.1
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Bank indebtedness	**$ –**	$ 32.3
Accounts payable and accrued liabilities	**1,326.0**	915.8
Dividends payable	**100.9**	83.6
Advance billings and customer deposits	**209.3**	175.6
Short-term obligations (Note 12)	**5,033.3**	573.2
	6,669.5	1,780.5
Long-term debt (Note 13)	**3,047.3**	1,555.5
Other long-term liabilities	**205.5**	141.0
Non-controlling interest	**74.3**	12.4
Shareholders' equity (Note 14)		
Common equity	**6,199.1**	4,238.0
Convertible debentures	**149.6**	–
Preference and preferred shares	**69.7**	69.7
	6,418.4	4,307.7
	$ 16,415.0	$ 7,797.1

Commitments (Note 15)

The accompanying notes are an integral part of these financial statements

Approved by the Directors:

Director: Harold P. Milavsky

Director: Brian A. Canfield

Years Ended December 31 *(millions)*	**2000**	1999
OPERATING ACTIVITIES		
Net income	**$ 461.0**	$ 349.7
Items not affecting cash:		
Depreciation and amortization	**1,187.9**	1,054.6
Goodwill amortization	**24.3**	7.5
Future income taxes (Note 7)	**152.0**	(10.1)
Non-cash restructuring related write-offs	**–**	79.9
Gain on disposal of property and investments (Note 16)	**–**	(36.9)
Sinking fund earnings	**(4.1)**	(12.6)
Other, net	**(16.5)**	(26.1)
Operating cash flow	**1,804.6**	1,406.0
Provision for future cash restructuring costs	**–**	329.5
Operating cash flow adjusted for restructuring costs	**1,804.6**	1,735.5
Net change in non-cash working capital	**(169.5)**	(90.4)
Cash provided by operating activities	**1,635.1**	1,645.1
INVESTING ACTIVITIES		
Capital expenditures	**(1,441.3)**	(1,199.2)
Acquisition of Clearnet Communications Inc., net of cash acquired	**(1,857.4)**	–
Other acquisitions, net of cash acquired	**(606.6)**	–
Proceeds from the sale of property and investments (Note 16)	**96.9**	40.2
Merger costs	**–**	(51.9)
Other	**(22.7)**	12.6
Cash used by investing activities	**(3,831.1)**	(1,198.3)
FINANCING ACTIVITIES		
Common shares issued	**14.4**	3.5
Repurchase of common shares	**–**	(1.8)
Dividends to shareholders	**(353.0)**	(334.9)
Long-term debt issued	**234.9**	44.2
Redemptions of long-term debt	**(1,764.8)**	(258.4)
Sinking fund withdrawal	**109.5**	32.7
Change in short-term obligations	**4,112.4**	(47.7)
Other	**(24.9)**	1.9
Cash provided (used) by financing activities	**2,328.5**	(560.5)
CASH POSITION		
Increase (decrease) in cash	**132.5**	(113.7)
Cash and temporary investments (bank indebtedness), beginning of year	**(32.3)**	81.4
Cash and temporary investments (bank indebtedness), end of year	**$ 100.2**	$ (32.3)
SUPPLEMENTAL DISCLOSURE		
Interest paid	**$ 234.5**	$ 204.7
Income taxes paid	**$ 291.0**	$ 341.6

The accompanying notes are an integral part of these financial statements

December 31, 2000

1. ACCOUNTING ENTITY

(a) Name Change

Effective January 1, 2000, BCT.TELUS Communications Inc. and TELUS Corporation changed their names to TELUS Corporation (TELUS) and TELUS Holdings Inc., respectively.

(b) Business Combination

On January 31, 1999, the operations of BC TELECOM Inc. (BC TELECOM) and TELUS Corporation (TELUS Holdings Inc.) were merged to form BCT.TELUS Communications Inc. (TELUS). The merged Company is engaged in providing communications services and solutions for consumers and businesses.

The nature of the business combination was such that neither of the combining companies could be identified as the acquirer for accounting purposes. Therefore, the business combination has been accounted for using the pooling of interests method of accounting whereby the consolidated financial statements reflect the combined carrying values of the assets, liabilities and shareholders' equity, and the combined operating results of BC TELECOM and TELUS for all periods presented.

Under the terms of the merger, shares of BC TELECOM were exchanged on a one-for-one basis and shares of TELUS were exchanged on a one for .7773 basis for shares in BCT.TELUS Communications Inc. Subsequent to the exchange, the former shareholders of BC TELECOM held 52.5% and the former shareholders of TELUS held 47.5% of the 177,427,492 outstanding voting common shares of the combined company. On February 1, 1999, the closing market price of the BCT.TELUS Communications Inc. voting common shares was $42.50.

A summary of the book values of the assets and liabilities at the date of the merger is as follows:

(millions)	BC TELECOM	TELUS
Assets		
Current assets	$ 476.3	$ 497.5
Property, plant and equipment, net	3,156.9	2,713.8
Other assets	388.4	604.5
	4,021.6	3,815.8
Less		
Current liabilities	1,017.8	861.6
Long-term debt	883.7	558.5
Other liabilities	77.0	10.4
Non-controlling interest	9.7	–
Net assets	$ 2,033.4	$ 2,385.3

A charge of $466.3 million was recorded in the first quarter of 1999 for the expected costs in 1999 and 2000 to complete merger-related restructuring activities. More than half of this charge is for management termination costs and the costs of voluntary early retirement programs. The business restructuring also included the rationalization of real estate, the impairment of assets in two start-up businesses that were reassessed in relation to national growth plans and consulting costs from merger integration activities.

Third-party costs to effect the merger arrangement were charged to retained earnings in the first quarter of 1999. These costs totaled $51.9 million and included financial advisor fees, regulatory filing fees, legal and accounting fees, and printing and mailing costs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and in conformity with prevailing practices in the Canadian telecommunications industry.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The term "Company" is used to mean TELUS Corporation and where the context of the narrative permits or requires, its subsidiaries.

(a) Consolidation

The consolidated financial statements include the accounts of the Company and all of the Company's subsidiaries, of which the principal ones are TELUS Communications Inc., TELUS Communications (B.C.) Inc., Clearnet Communications Inc., TELUS Mobility Cellular Inc., ISM Information Systems Management (B.C.) Corporation, TELUS Services Inc., Telecom Leasing Canada (TLC) Limited, and QuébecTel Inc. (70%).

(b) Inventories

Inventories are valued at the lower of cost and net realizable value, with cost being determined on an average cost basis.

(c) Capital Assets

Property is recorded at historical cost and, with respect to self-constructed property, includes materials, direct labour and applicable overhead costs. In addition, where construction projects exceed $20 million and are of a sufficiently long duration, an amount is capitalized for the cost of funds used to finance construction. This amount is included in the Consolidated Statement of Income as an offset against financing costs. The rate for calculating the capitalized financing costs is based on the Company's one-year cost of borrowing. In 2000, $8.6 million of financing costs was capitalized ($1.6 million – 1999).

When property, plant and equipment is sold by the Company, the historical cost less accumulated depreciation is netted against the sale proceeds and the difference is included in the Consolidated Statement of Income.

(d) Depreciation and Amortization

Assets are depreciated on a straight-line basis over their estimated useful life as determined by a continuing program of engineering studies. The composite depreciation rate for the year ended December 31, 2000, was 6.7% (7.8% – 1999).

Acquired intangible assets are amortized on a straight-line basis over their estimated lives. The spectrum licenses and wireline subscriber bases are amortized over 40 years and wireless subscriber bases are amortized over 7–10 years.

(e) Deferred Charges

Deferred charges include deferred pension costs, more fully described in Note 17, deferred costs of issuing debt and deferred start-up costs. The deferred start-up costs are amounts relating to information services contracts that will be matched with related revenues. Discounts on long-term debt are amortized to interest expense on a straight-line basis over the remaining lives of the related liabilities. Where interest coupons and residuals are held as separate investments in sinking funds, discounts are amortized over the period to maturity or call date so as to produce a constant rate of return on the investments.

(f) Goodwill

Goodwill represents the excess of the cost of acquired businesses over the fair value attributed to the net identifiable assets. Goodwill is being amortized on a straight-line basis over 10 to 20 years. Management estimates the value of goodwill to be not less than the unamortized balance at December 31, 2000.

(g) Income Taxes

The Company and its subsidiaries follow the liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes that are more likely than not to be realized.

Future income taxes at December 31, 2000, consist mainly of tax reserves not available for current deduction and undepreciated capital cost in excess of net book value of capital assets arising from the difference between the Company's depreciation rates and those prescribed for income tax purposes and losses available to be carried forward.

(h) Leases

Leases are classified as capital or operating depending upon the terms and conditions of the contracts.

Where the Company is the lessor, the majority of capital leases are through its subsidiary, Telecom Leasing Canada (TLC) Limited, which acts as a financing intermediary. The long-term leases receivable represent the present value of future lease payments receivable due beyond one year. Finance income derived from these financing leases is recorded so as to produce a constant rate of return over the terms of the leases.

Where the Company is the lessee, asset values recorded under capital leases are amortized on a straight-line basis over the term of the lease. Obligations recorded under capital leases are reduced by lease payments net of imputed interest.

Revenue from operating leases of equipment is recognized when service is rendered to customers. The leased equipment is depreciated in accordance with the Company's depreciation policy.

(i) Other Long-Term Liabilities

Included in Other Long-Term Liabilities are contributions from the Government of Alberta under the Individual Line Service program, which are recognized as income on a straight-line basis over the estimated useful life of the related assets. The amount to be recognized as income within one year is included with Advance Billings and Customer Deposits in the Consolidated Balance Sheet. Additional other long-term liabilities are comprised of pension and benefits obligations, building lease liability and New Media and Broadcast Fund.

(j) Employee Benefit Plans

The Company accrues its obligations under employee benefit plans and the related costs, net of plan assets. The Company has adopted the following policies:

- The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method pro rated on service and management's best estimate of expected plan investment performance, salary escalation and retirement ages of employees.
- For the purpose of calculating the expected return on plan assets, those assets are valued at fair value.
- The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of the plan assets is amortized over the average remaining service period of active employees of the plan.

(k) Translation of Foreign Currencies

Trade transactions completed in foreign currencies are translated into Canadian dollars at the rates prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into equivalent Canadian dollars at the rate of exchange in effect at the balance sheet date with any resulting gain or loss being included in the consolidated statement of income. Gains or losses arising from translation of non-current monetary liabilities are deferred and amortized over the remaining lives of the related liabilities.

(l) Financial Instruments

The Company's financial instruments consist of cash and temporary investments, accounts receivable, income taxes receivable, leases receivable, bank indebtedness, accounts payable and accrued liabilities, dividends payable, short-term obligations, long-term debt and convertible debentures.

The carrying value of cash and temporary investments, bank indebtedness, accounts receivable, leases receivable, accounts payable and accrued liabilities, dividends payable and short-term obligations approximates their fair values due to the immediate or short-term maturity of these financial instruments. The fair value of the Company's long-term debt and convertible debentures are estimated based on quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same maturity as well as the use of discounted future cash flows using current rates for similar financial instruments subject to similar risks and maturities. As of December 31, 2000, the estimated fair value of long-term debt exceeded the carrying value by approximately $206.6 million ($249 million – 1999).

The Company is exposed to interest rate risk arising from fluctuations in interest rates on its temporary investments, short-term obligations, long-term debt and convertible debentures.

The Company uses various financial instruments that are not reflected on the balance sheet to reduce or eliminate exposure to interest rate and currency risks, and as part of structured financing. These instruments are accounted for on the same basis as the underlying exposure being hedged. At December 31, 2000, the total notional amount of derivative financial instruments outstanding was $3,968.3 million ($442.4 million – 1999). The majority of these instruments, which were newly added during the year 2000, pertained to TELUS' acquisition financing and the instruments in place to cover the interest and currency risks of the acquired companies. The fair market value of these instruments at December 31, 2000, is less than their carrying value by approximately $66.7 million (exceeded by $1 million – 1999). Use of these instruments is subject to a policy which requires that no derivative transaction be effected for the purpose of establishing a speculative or a levered position and sets criteria for the creditworthiness of the transaction counterparties.

The Company is exposed to credit risk with respect to its short-term deposits and sinking fund assets. Credit risk is minimized substantially by ensuring that these financial assets are placed with governments, well-capitalized financial institutions and other creditworthy counterparties. An ongoing review is performed to evaluate changes in the status of counterparties.

The Company is exposed to credit risk with respect to its accounts and leases receivable. However, this is minimized by the Company's large customer base which covers all consumer and business sectors in Canada. The Company follows a program of credit evaluations of customers and limits the amount of credit extended when deemed necessary. The Company maintains provisions for potential credit losses, and any such losses to date have been within management's expectations.

3. CHANGE IN ACCOUNTING POLICY

On January 1, 2000, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants (CICA) dealing with accounting for employee future benefits (CICA Handbook Section 3461). The accounting change was applied on a prospective basis and the impact of the change was a reduction in operating expenses of approximately $58 million for the year ended December 31, 2000.

4. BUSINESS ACQUISITIONS

During the year, the Company made the following acquisitions:

- Effective October 19, 2000, the Company acquired 100% of the outstanding shares of Clearnet Communications Inc., a telecommunications company providing wireless communications services, for $4,133.0 million including acquisition costs. The purchase consideration comprised of $2,179.0 million cash and $1,954.0 million issued and accrued TELUS non-voting shares. The transaction has been accounted for using the purchase method resulting in the creation of $1,612.0 million of goodwill on the consolidated balance sheet, which is being amortized over a period of 20 years. Effective October 20, 2000 onwards, Clearnet's results are included in the Company's consolidated statement of income. At the purchase date, the following net assets were acquired:

(millions)	
Total identifiable assets	$ 5,975.8
Total liabilities	3,454.8

- On August 17, 2000, the Company acquired all of the remaining 25% externally held shares of ISM Information Systems Management (B.C.) Corporation, an information technology company, for $12.9 million cash including acquisition costs. The transaction has been accounted for using the purchase method, resulting in the creation of $9.7 million of goodwill on the consolidated balance sheet which is being amortized over a period of 10 years. Effective August 17, 2000 onwards, 100% of ISM-BC's results are included in the Company's consolidated statement of income. At the purchase date, the following net assets were acquired:

(millions)	
Total identifiable assets	$ 30.6
Total liabilities	27.4

- On June 1, 2000, the Company acquired 70% of the outstanding shares of QuébecTel Group, a telecommunications company, for $584.4 million cash including acquisition costs. The transaction has been accounted for using the purchase method, resulting in the creation of $173.4 million of goodwill on the consolidated balance sheet, which is being amortized over a period of 20 years. Effective June 1, 2000 onwards, QuébecTel's results are included in the Company's consolidated statement of income. At the purchase date, the following net assets were acquired:

(millions)	
Total identifiable assets	$ 806.0
Total liabilities	327.9
Non-controlling interest	67.1

5. OTHER REVENUES

(millions)	**2000**	1999
Service and equipment sales	**$ 469.6**	$ 405.1
Directory advertising and sales	**323.9**	292.2
Information services	**154.8**	167.7
Rental	**79.7**	92.7
Other	**248.1**	110.5
	$ 1,276.1	$ 1,068.2

6. FINANCING COSTS

(millions)	**2000**	1999
Interest on long-term debt	**$ 199.7**	$ 169.2
Interest on short-term obligations and other	**113.3**	30.5
Foreign exchange loss (gain)	**12.5**	(9.4)
	325.5	190.3
Allowance for funds used during construction	**(8.6)**	(1.6)
	$ 316.9	$ 188.7

7. INCOME TAXES

(millions)	**2000**	1999
Current	**$ 344.1**	$ 307.0
Future	**152.0**	(10.1)
	$ 496.1	$ 296.9

A reconciliation of the statutory income tax rate to the effective income tax rate is as follows:

	2000	1999
Basic federal and provincial statutory income tax rate	**45.2%**	45.5%
Revaluation of future tax assets for decreases in statutory rate	**6.7**	–
Non-deductible portion of amortization of acquired assets	**1.0**	–
Non-taxable portion of gain on disposal of assets	**(0.1)**	(0.6)
Future tax assets not previously recognized	**(4.4)**	–
Other	**0.8**	(1.1)
	49.2	43.8
Large corporations tax	**0.9**	1.3
Effective rate per Consolidated Statement of Income	**50.1%**	45.1%

8. ACCOUNTS RECEIVABLE

(millions)	**2000**	1999
Trade receivables	**$ 788.3**	$ 544.7
Current portion of leases receivable	**64.5**	55.1
Other	**155.7**	63.8
	$ 1,008.5	$ 663.6

Under an agreement dated November 20, 1997, TELUS Communications (B.C.) Inc. (formerly BC TEL) sold, with minimal recourse, accounts receivable for aggregate cash proceeds of $150 million. Pursuant to the agreement, the purchaser will use the proceeds of collection to purchase further receivables. This agreement, which expires in November 2002, is extendable upon the Company's request.

9. SINKING FUND ASSETS

Sinking fund assets relate to the Company's note payable and consist of the following:

(millions)	**2000**	1999
Debentures, at amortized cost		
Government of Canada, direct and guaranteed	**$ –**	$ 38.3
Alberta Government Telephones Commission	**–**	67.1
	–	105.4
Less: current portion	**–**	105.4
	$ –	$ –

Proceeds of the sinking fund were withdrawn in May 2000 for early redemption of the TELUS Communications Inc. 11.80% Notes Payable otherwise due May 2003. At December 31, 1999, assets in the sinking fund had an approximate market value of $107 million and these assets had a weighted average effective interest rate of 9.3% for that year.

10. CAPITAL ASSETS, NET

	Cost	Accumulated Depreciation and Amortization	Net Book Value	
(millions)			**2000**	1999
Telecommunications assets	$ 13,887.6	$ 8,293.2	**$ 5,594.4**	$ 4,132.9
Assets leased to customers	416.3	303.4	**112.9**	51.1
Buildings	1,224.5	649.4	**575.1**	560.5
Office equipment & furniture	637.4	403.7	**233.7**	155.6
Assets under capital lease	77.5	40.3	**37.2**	25.4
Intangible assets:				
Subscriber base	284.1	5.9	**278.2**	–
Spectrum licenses	3,565.2	18.7	**3,546.5**	–
Other	861.5	536.9	**324.6**	382.6
	20,954.1	10,251.5	**10,702.6**	5,308.1
Land	85.3	–	**85.3**	82.8
Plant under construction	679.9	–	**679.9**	443.6
Materials and supplies	63.2	–	**63.2**	43.8
	$ 21,782.5	$ 10,251.5	**$ 11,531.0**	$ 5,878.3

11. DEFERRED CHARGES

(millions)	**2000**	1999
Pension plan contributions in excess of charges to income	**$ 168.2**	$ 81.2
Cost of issuing debt securities, less amortization	**24.0**	11.2
Other	**24.5**	24.7
	$ 216.7	$ 117.1

12. SHORT-TERM OBLIGATIONS

Amounts due for redemption within one year are as follows:

(millions)	**2000**	1999
Notes payable under commercial paper programs	**$ 904.0**	$ 246.5
Bank borrowings	**3,913.7**	–
Current maturities of long-term debt	**215.6**	326.7
	$ 5,033.3	$ 573.2

Notes payable under commercial paper programs are unsecured. At December 31, 1999, $380.0 million of commercial paper notes was classified as long-term debt on the basis of the availability of a $380.0 million long-term credit facility agreement. In addition, the Company had in place committed operating lines of credit of $311.0 million. This long-term credit facility was replaced in the year 2000 by new bank credit facilities and all commercial paper notes outstanding at December 31, 2000, are classified as part of Short-Term Obligations. At December 31, 2000, outstanding notes payable under these programs range in maturity from 3 to 197 days and carry a weighted average interest rate of 5.86%.

Other short-term borrowings include debt incurred by TELUS Corporation under new bank credit facilities, with total aggregate availability of up to $6.25 billion. These 364-day facilities, newly established in the year 2000 and with the acquisition of Clearnet, replaced the majority of TELUS' existing bank credit facilities. Credit is available in two tranches, for the following purposes: to finance the acquisition of Clearnet, to refinance existing and acquired indebtedness and for general corporate purposes (Tranche A, known as the 364-Day Non-Revolving Bridge Facility, with $5 billion in available credit); and to refinance existing and acquired indebtedness for general corporate purposes other than repayment of Tranche A (Tranche B, known as the 364-Day Revolving Line of Credit with $1.25 billion in available credit).

Upon the acquisition of Clearnet, net proceeds from the bank credit facilities were applied to the retirement of outstanding bank debt, the purchase of Clearnet shares, related Clearnet acquisition costs and the retirement of certain outstanding debt owed by Clearnet such as the 14.75% Senior Discount Notes due December 15, 2005, the Lucent Credit Facilities and the Mike Credit Facility. Interest rates on outstanding bank debt are based upon the public ratings from the U.S. credit rating agencies of Standard & Poor's and Moody's. Bank debt can take one or more of the following forms: prime rate loans in Canadian dollars; Bankers' Acceptances in Canadian dollars; U.S. Base Rate Loans in U.S. dollars; London Interbank Offered Rate Loans (LIBOR) in U.S. dollars; and Standby Letters of Credit in Canadian dollars or U.S. dollars only (Tranche B only). Other key terms and conditions for these facilities include compliance to financial covenants, mandatory prepayment under certain conditions and voluntary prepayments/cancellations. Additionally, the shares of TELUS' major operating subsidiaries have been pledged as security for this bank credit facility.

At December 31, 2000, the QuébecTel Group had lines of credit available at the banks' prime rates of interest maturing between February 1 and August 31, 2001, which covered the amount of $95.0 million authorized by its Board of Directors. Used bank credit totaled $67.2 million at December 31, 2000. The average interest rate on short-term borrowings for the QuébecTel Group was 7.2% in 2000.

13. LONG-TERM DEBT

(a) Details of Long-Term Debt

(millions)	*Series*	*Rate*	*Maturity*	**2000**	1999
TELUS Communications (B.C.) Inc. First Mortgage Bonds					
	AN	10.5%	June 2000	**$ –**	$ 115.0
TELUS Communications (B.C.) Inc. Debentures					
	1	12.0%	May 2010	**50.0**	50.0
	2	11.90%	November 2015	**125.0**	125.0
	3	10.65%	June 2021	**175.0**	175.0
	4	9.15%	April 2002	**1.0**	1.0
	5	9.65%	April 2022	**249.0**	249.0
				600.0	600.0
TELUS Communications (B.C.) Inc. Medium-Term Note Debentures issued at varying rates of interest up to 8.00% and maturing on various dates up to 2009				**395.0**	195.0
TELUS Communications Inc. Debentures					
	A	9.50%	August 2004	**200.0**	200.0
	B	8.80%	September 2025	**200.0**	200.0
				400.0	400.0
TELUS Communications Inc. Notes Payable					
		11.80%	May 2003	**–**	150.0
QuébecTel Group First Mortgage Bonds					
	T	10.80%	March 2003	**30.0**	–
	U	11.50%	July 2010	**30.0**	–
				60.0	–
QuébecTel Group Medium-Term Notes					
	1	7.10%	February 2007	**70.0**	–

(millions)	Series	Rate	Maturity	2000	1999
Clearnet Communications Inc. Redeemable Senior Discount Notes					
	2007 Notes	11.75%	August 2007	**550.2**	–
	2008 Notes	10.40%	May 2008	**461.4**	–
	Feb. 2009 Notes	10.75%	February 2009	**149.4**	–
	May 2009 Notes	10.125%	May 2009	**545.0**	–
				1,706.0	–
Commercial paper reclassified under a long-term credit facility agreement (Note 12)				**–**	380.0
Capital leases (Note 15d) issued at varying rates of interest up to 11.75% and maturing on various dates up to 2004				**26.9**	27.4
Other				**5.0**	14.8
Total debt				**3,262.9**	1,882.2
Less: current maturities				**215.6**	326.7
Long-term Debt				**$ 3,047.3**	$ 1,555.5

(b) TELUS Medium-Term Note Programs

Under the terms of the medium-term note prospectus for TELUS Corporation, TELUS Communications (B.C.) Inc. and TELUS Communications Inc., a total of $2,400.0 million in medium-term notes may be issued prior to September 9, 2001. The notes will have maturities, interest rates and other features determined at the time of issue. During June 2000 TELUS Communications (B.C.) Inc. issued $200 million (nil – 1999) notes.

(c) TELUS Communications (B.C.) Inc. First Mortgage Bonds

TELUS Communications (B.C.) Inc.'s property is subject to liens under the Deed of Trust and Mortgage dated March 1, 1946, under which the first mortgage bonds were issued. The Deed of Trust and Mortgage requires either an annual sinking fund payment of 1% of the original principal amount of bonds outstanding or the pledge of additional unmortgaged property in the amount of 1.5% of the principal. In 1999, a sinking fund payment was made in respect of the Series AN First Mortgage Bonds.

(d) TELUS Communications (B.C.) Inc. Debentures

Debentures are issued under the Trust Indenture dated May 31, 1990, and are not secured by any mortgage, pledge or other charge. While the Trust Indenture is in effect, further issues of first mortgage bonds are not permitted. New issues of unsecured debt are subject to restrictions as to debt ratio and interest coverage as defined in the Trust Indenture.

The outstanding debentures may not be redeemed prior to maturity.

The Series 4 Debentures were exchangeable, at the holder's option, effective on April 8 of any year during the four-year period from 1996 to 1999, for an equal principal amount of Series 5 Debentures. In 1999, $20.3 million of the Series 4 Debentures were exchanged for Series 5 Debentures.

(e) TELUS Communications Inc. Debentures

The outstanding Series A Debentures and Series B Debentures are issued under the TELUS Communications Inc. Trust Indenture dated August 24, 1994, and a supplemental trust indenture dated September 22, 1995, relating to Series B Debentures only. These debentures are not secured by any mortgage, pledge or other charge. During 1995 the Company terminated an interest rate swap contract relating to the Series A Debentures and realized a gain on early termination in the amount of $16.8 million which is being amortized and credited to interest expense over the remaining term of the Series A Debentures. The amortization of the gain resulted in an effective rate of interest on Series A Debentures in 2000 of 8.79% (8.79% – 1999).

(f) TELUS Communications Inc. Notes Payable

The note outstanding at December 31, 1999, was secured by sinking fund assets of the Company. In accordance with note terms, this note requires annual sinking fund contributions of 1% of the principal amount outstanding until one year prior to maturity. The note had an early redemption provision at the Company's option on May 31, 2000, or on any May 31 or November 30 thereafter prior to maturity. The Company redeemed the note in May 2000.

(g) QuébecTel Group First Mortgage Bonds

The first mortgage bonds of all series are secured equally and rateably by an immovable hypothec and by a movable hypothec charging specifically certain immovable and movable property of the subsidiary Québec-Téléphone, such as land, buildings, equipment, apparatus, telephone lines, rights-of-way and similar rights as well as by an hypothec on all of the movable and the immovable property, present and future of Québec-Téléphone.

(h) QuébecTel Group Medium-Term Note Program

The medium-term notes were issued under a trust indenture dated September 1, 1994, as amended and complemented from time to time, and are unsecured and not redeemable prior to maturity. New issues of medium-term notes are subject to restrictions as to debt ratio and interest coverage.

(i) Clearnet Communications Inc. Redeemable Senior Discount Notes

The notes are senior, unsecured obligations of Clearnet and rank equally in right of payment with all existing and future unsecured, unsubordinated obligations of Clearnet and are senior in right of payment to all existing and future subordinated indebtedness of Clearnet, but will be effectively subordinated to all existing and future obligations of Clearnet's subsidiaries.

The indentures governing the notes contain certain covenants which, among other things, place limitations on the ability of Clearnet and certain of its subsidiaries to: incur additional indebtedness; pay dividends or make any distribution on its capital stock or make certain other restricted payments; make investments; issue guarantees; enter into transactions with certain shareholders and affiliates; issue shares of subsidiaries; restrict the ability of subsidiaries to pay dividends; enter into liens; enter into sale-leaseback transactions; sell certain assets; or consolidate, merge, amalgamate or sell all or substantially all of its property and assets.

Upon a change of control as defined for the notes which did not occur upon the acquisition by TELUS of Clearnet on October 20, 2000, each holder of notes has the right to require Clearnet to repurchase such holder's notes at 101% of the accreted value plus accrued and unpaid interest to the date of redemption.

2007 Senior Discount Notes: In August 1997, Clearnet issued $566.0 million Senior Discount Notes with a combined initial value of $319.7 million and a total value of $566.0 million upon maturity. The 2007 Notes are redeemable at the option of Clearnet, at any time, in whole or in part, at the redemption price of 105.875%, 102.938% and 100% of the principal amount on or after August 13, 2002, 2003 and 2004, respectively, plus accrued and unpaid interest. The book value of these notes was increased by $79.7 million as a result of a fair market value adjustment at the date of acquisition on October 19, 2000.

2008 Senior Discount Notes: In May 1998, Clearnet issued $500.0 million Senior Discount Notes with a combined initial value of $300.6 million and a total value of $500.0 million upon maturity. The 2008 Notes are redeemable at the option of Clearnet, at any time, in whole or in part, at the redemption price of 105.2%, 102.6% and 100% of the principal amount on or after May 15, 2003, 2004 and 2005, respectively, plus accrued and unpaid interest. The book value of these notes was increased by $68.8 million as a result of a fair market value adjustment at the date of acquisition on October 19, 2000.

February 2009 Senior Discount Notes: In February 1999, Clearnet issued $169.0 million Senior Discount Notes with a combined initial value of $100.1 million and a total value of $169.0 million upon maturity. The February 2009 Notes are redeemable at the option of Clearnet, at any time, in whole or in part, at the redemption price of 105.375%, 102.688% and 100% of the principal amount on or after February 15, 2004, 2005 and 2006, respectively, plus accrued and unpaid interest. The book value of these notes was increased by $28.1 million as a result of a fair market value adjustment at the date of acquisition on October 19, 2000.

May 2009 Senior Discount Notes: In April 1999, Clearnet issued $420.0 million U.S. Senior Discount Notes with a combined initial value of U.S. $256.0 million and a total value of U.S. $420.0 million upon maturity. The May 2009 Notes are redeemable at the option of Clearnet, at any time, in whole or in part, at the redemption price of 105.063%, 102.531% and 100% of the principal amount on or after May 1, 2004, 2005 and 2006, respectively, plus accrued and unpaid interest. The book value of these notes was increased by $98.6 million as a result of a fair market value adjustment at the date of acquisition on October 19, 2000.

May 2009 Cross-Currency Interest Swaps: With respect to the May 2009 Notes and during April 1999, Clearnet entered into cross-currency interest rate swap agreements which effectively convert principal repayments and interest obligations to Canadian dollar requirements with an effective fixed rate of approximately 9.9%. The obligations under the swap agreements are secured by charges over all of the assets of Clearnet's wholly-owned subsidiary, Clearnet Inc., and certain collateral provided by Clearnet. The counterparties of the swap agreements are highly rated financial institutions and Clearnet does not anticipate any non-performance. Clearnet has not required collateral or other security from the counterparties due to its assessment of their creditworthiness.

(j) Long-Term Debt Maturities

Anticipated requirements to meet long-term debt repayments, excluding capital lease maturities, during each of the next five years from December 31, 2000, are as follows:

(millions)	
2001	$ 202.6
2002	601.7
2003	756.8
2004	1,026.2
2005	0.3

14. SHAREHOLDERS' EQUITY

(a) Details of Shareholders' Equity

(millions)	**2000**	1999
Common equity		
Voting shares	**$ 2,091.2**	$ 2,080.0
Non-voting shares	**2,537.1**	693.1
Retained earnings	**1,563.4**	1,457.5
Contributed surplus	**7.4**	7.4
	6,199.1	4,238.0

TELUS Communications (B.C.) Inc. Preference and Preferred, Cumulative

No. of Shares			Par Value	Redemption Premium	2000	1999
8,090	$6.00	Preference	$ 100	10.0%	**.8**	.8
53,000	$4.375	Preferred	$ 100	4.0%	**5.3**	5.3
47,500	$4.50	Preferred	$ 100	4.0%	**4.8**	4.8
71,250	$4.75	Preferred	$ 100	5.0%	**7.1**	7.1
71,250	$4.75	Preferred ('56)	$ 100	4.0%	**7.1**	7.1
114,700	$5.15	Preferred	$ 100	5.0%	**11.5**	11.5
96,400	$5.75	Preferred	$ 100	4.0%	**9.6**	9.6
42,750	$6.00	Preferred	$ 100	5.0%	**4.3**	4.3
768,400	$1.21	Preferred	$ 25	4.0%	**19.2**	19.2
					69.7	69.7
Convertible debentures (g)					**149.6**	–
Total Equity					**$ 6,418.4**	$ 4,307.7

(b) Authorized Capital

TELUS Corporation is authorized to issue an unlimited number of common voting shares, common non-voting shares, first preferred shares and second preferred shares. At December 31, 2000, there were no first or second preferred shares issued.

(c) Changes in Common Shares

	2000		1999	
	Number of Shares	Amount (millions)	Number of Shares	Amount) (millions)
Common Voting Shares				
Beginning of Year	**177,521,890**	**$ 2,080.0**	177,433,909	$ 2,077.6
Exercise of stock options	**494,848**	**11.2**	111,963	2.6
Other	**(58)**	**–**	(23,982)	(0.2)
End of Year	**178,016,680**	**$ 2,091.2**	177,521,890	$ 2,080.0
Common Non-Voting Shares				
Beginning of Year	**59,156,447**	**$ 693.1**	59,144,636	$ 692.5
Exercise of stock options	**178,525**	**4.5**	37,309	0.9
Shares issued on acquisition of Clearnet	**49,717,741**	**1,839.5**	–	–
Other	**–**	**–**	(25,498)	(0.3)
End of Year	**109,052,713**	**$ 2,537.1**	59,156,447	$ 693.1

(d) Stock Option Plans

The Company has a total of 12,189,538 options granted and 7,670,515 options outstanding under all share option plans at December 31, 2000, as follows:

TELUS Corporation Stock Option and Compensation Plan:

TELUS Corporation has a stock option plan under which directors, officers and key employees receive options to purchase common voting shares at a price equal to the fair market value of the shares at the date of granting. Options granted pursuant to the plan may be exercised over specific periods not to exceed 10 years from the date granted.

Year Options Granted	Options Granted	Options Outstanding	Average Exercise Price
2000	**3,086,631**	**2,896,452**	**$ 35.29**
1999	781,430	565,265	35.72

TELUS Share Option Plan for Former Clearnet Option Holders:

Under the terms of the arrangement to acquire Clearnet, effective October 20, 2000, TELUS Corporation exchanged the options held by former Clearnet option holders. At the date of acquisition, the fair market value of TELUS non-voting shares was $37.00 per share. Options granted in the plan may be exercised over a specified period not to exceed 10 years from the original date granted.

Year Options Granted	Options Granted	Options Outstanding	Average Exercise Price
2000	**2,132,509**	**2,127,509**	**$ 16.03**

BC TELECOM Stock Option Plans (BCTSOP):

Under the terms of the BCTSOP introduced in 1995, BC TELECOM granted officers and key employees options in tandem share appreciation rights and retention options at fixed exercise prices. Effective December 8, 1998, the plan was modified to replace share appreciation rights with a stock option repurchase plan. Options granted in the plan may be exercised over specific periods not to exceed 10 years from the date granted. Options granted prior to 1999 can be exercised in a ratio of 75% voting and 25% non-voting for common shares in TELUS Corporation.

Year Options Granted	Options Granted	Options Outstanding	Average Exercise Price
1999	3,700	3,700	$ 36.78
1998	339,600	293,900	46.72
1997	435,800	324,731	31.05
1996	427,200	212,901	25.26
1995	213,300	73,900	24.20

BC TELECOM Long-Term Incentive Share Option Plan:

BC TELECOM had stock option plans under which officers and key employees received common share purchase options at a price equal to the fair market value of the shares at the date of granting. Options granted in the plan may be exercised over specific periods not to exceed 10 years from the date granted. These options can be exercised in a ratio of 75% voting and 25% non-voting for common shares in TELUS Corporation.

Year Options Granted	Options Granted	Options Outstanding	Average Exercise Price
1995	395,300	105,634	$ 24.25
1994	293,756	55,325	25.08
1993	444,300	67,100	19.25
1992	263,725	31,300	22.13
1991	270,600	3,000	20.00

TELUS Holdings Inc. Stock Option Plans:

TELUS Holdings Inc. had stock option plans under which directors, officers and key employees received common share purchase options at a price equal to the fair market value of the shares at the date of granting. Options granted under the plans may be exercised over specific periods not to exceed seven years from the date of granting. These options can be exercised in a ratio of 75% voting and 25% non-voting for common shares in TELUS Corporation.

Year Options Granted	Options Granted	Options Outstanding	Average Exercise Price
1998	540,930	398,007	$ 42.39
1997	670,330	273,122	25.97
1996	717,300	190,140	21.33
1995	379,600	34,305	21.14
1994	387,000	14,224	20.78
1993	406,527	0	16.57

At December 31, 2000, 9,143,984 shares remained reserved for issuance under the option plans.

(e) Employee Share Purchase Plan

The Company has an employee share purchase plan under which eligible employees can purchase common shares through regular payroll deductions by contributing between 1% and 6% of pay. The Company contributes two dollars for every five dollars contributed by an employee. The Company records its contributions as a component of operating expenses. During 2000, the Company contributed $19.9 million ($19.2 million – 1999) to this plan. All common shares issued to employees under the plan during the year were purchased on the market at normal trading prices. Under this plan, the Company has the option of offering shares from Treasury or having the trustee acquire shares in the stock market.

(f) Dividend Reinvestment and Share Purchase Plan

The Company has a Dividend Reinvestment and Share Purchase Plan under which eligible shareholders may acquire additional common shares through the reinvestment of dividends and optional cash payments. Shares purchased through optional cash payments are subject to a minimum investment of $100 and a maximum investment of $20,000 per calendar year. Under this plan, the Company has the option of offering shares from Treasury or having the trustee acquire shares in the stock market.

(g) Convertible Debentures

The 6.75% convertible debentures are convertible at the holders' option into Class A non-voting shares of the Company. The holders' conversion option is valued using the residual value approach.

15. COMMITMENTS AND CONTINGENT LIABILITIES

(a) The Company estimates expenditures for capital asset purchases to be $2,400 million in 2001. Substantial purchase commitments have been made in connection with these capital assets as at December 31, 2000.

(b) The Company has entered into a 10-year agreement with Verizon Communications with respect to the use of Verizon's software, related technology and services. The current contractual obligation for 2001 is U.S.$50 million.

(c) The Company has entered into an agreement with Bell Canada in the amount of $27 million in the year 2001 for services related to network support activities.

(d) The Company occupies leased premises in various centers and has land, buildings and equipment under operating leases.

At December 31, 2000, the future minimum lease payments under capital leases and operating leases were:

(millions)	Capital Leases	Operating Leases
2001	$ 13.6	$ 115.8
2002	11.0	90.4
2003	4.1	66.1
2004	0.6	56.7
2005	–	44.7
Total future minimum lease payments	29.3	
Less: imputed interest	2.4	
Capital lease liability	$ 26.9	

(e) A number of claims and lawsuits seeking unspecified damages and other relief are pending against the Company. It is impossible at this time for the Company to predict with any certainty the outcome of such litigation. However, management is of the opinion, based upon information presently available, that it is unlikely that any liability, to the extent not provided for through insurance or otherwise, would be material in relation to the Company's consolidated financial position.

16. SALE OF PROPERTY AND INVESTMENTS

During 2000, the Company disposed of certain selected, non-strategic property and investments including the B.C. headquarters building under the terms of a sale-leaseback transaction. The pre-tax gain of $50.8 million, on total proceeds of $96.9 million, has been deferred and will be amortized over the 15-year term of the lease.

During 1999, the Company disposed of some selected, non-strategic property and investments, including its investments in MediaLinx and Pacific Place Cable, for total proceeds of $40.2 million resulting in a pre-tax gain of $36.9 million.

17. EMPLOYEE BENEFITS

The Company has a number of defined benefits and defined contribution plans providing pension, other retirement and post-employment benefits to most of its employees.

The total expense for the Company's defined contribution pension plans is $61.0 million in 2000.

Information concerning the Company's defined benefit plans, in aggregate, is as follows:

(millions)	Pension Benefit Plans 2000	Other Benefit Plans 2000
Accrued benefit obligation		
Balance at beginning of year	$ 3,772.4	$ 59.1
Current service cost	100.6	18.1
Interest cost	262.5	4.9
Benefits paid	(176.5)	(5.8)
Actuarial loss (gains)	96.8	(21.3)
Plan amendments	2.1	–
Balance at end of year	4,057.9	55.0
Plan assets		
Fair value at beginning of year	$ 4,325.2	$ 34.2
Annual return on plan assets	602.3	5.7
Employer contributions	42.1	8.7
Employees' contributions	38.8	–
Benefits paid	(176.5)	(5.8)
Fair value at end of year	4,831.9	42.8
Funded status – plan surplus (deficit)	774.0	(12.2)
Unamortized net actuarial loss (gain)	(171.7)	(24.0)
Unamortized past service costs	0.2	–
Unamortized transitional obligation (asset)	(521.5)	7.2
Accrued benefit asset (liability)	$ 81.0	$ (29.0)

Included in the above accrued benefit obligations at year-end are the following amounts in respect of plans that are not funded:

(millions)	Pension Benefit Plans 2000	Other Benefit Plans 2000
Accrued benefit obligation	$ 121.4	$ 18.3

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligations are as follows (weighted average assumptions as of December 31):

	Pension Benefit Plans 2000	Other Benefit Plans 2000
Discount rate	6.98%	7.00%
Expected long-term rate of return on plan assets	7.94%	8.00%
Rate of compensation increase	4.25%	4.25%

The Company's net benefit plan expense is as follows:

(millions)	Pension Benefit Plans 2000	Other Benefit Plans 2000
Current service cost	**$ 61.8**	**$ 18.1**
Interest cost	**262.5**	**4.9**
Expected return on plan assets	**(339.1)**	**(2.9)**
Amortization of past service costs	**1.9**	**–**
Amortization of transitional obligation (asset)	**(20.0)**	**0.8**
	$ (32.9)	**$ 20.9**

18. SEGMENTED INFORMATION

The Company's reportable segments, which are used to manage the business, are:

- **TELUS Communications** – local access, long distance, and other voice services;
- **Advanced Communications** – digital services, services on dedicated or specialized facilities, Internet, Ubiquity network (fibre) and ISM-BC;
- **Mobility** – cellular and paging services; and
- **Other** – national operations (including local access, long distance and other voice services provided by the QuébecTel Group), directory and advertising services.

Segmentation is based on similarities in technology, the technical expertise required to deliver the products and services, and the distribution channels used.

The accounting policies used for segmented reporting are the same as described in the Summary of Significant Accounting Policies, Note 2.

(millions)	Communications		Mobility		Advanced Communications		Other		Eliminations		Totals	
	2000	1999	**2000**	1999	**2000**	1999	**2000**	1999	**2000**	1999	**2000**	1999
External revenue	**$3,753.7**	$3,795.0	**$1,257.0**	$ 960.3	**$ 882.0**	$ 802.7	**$ 540.5**	$ 314.3	**$ –**	$ –	**$6,433.2**	$5,872.3
Inter-segment revenue	**278.2**	279.5	**16.1**	14.2	**195.3**	181.1	**13.5**	9.0	**(503.1)**	(483.8)	**–**	–
Total operating revenue	**4,031.9**	4,074.5	**1,273.1**	974.5	**1,077.3**	983.8	**554.0**	323.3	**(503.1)**	(483.8)	**6,433.2**	5,872.3
Operations expenses	**2,178.5**	2,364.6	**965.7**	594.8	**876.8**	844.7	**450.5**	224.3	**(503.1)**	(483.5)	**3,968.4**	3,544.9
EBITDA	**$1,853.4**	$1,709.9	**$ 307.4**	$ 379.7	**$ 200.5**	$ 139.1	**$ 103.5**	$ 99.0	**$ –**	$ (0.3)	**$2,464.8**	$2,327.4
Capital additions	**$ 627.3**	$ 660.0	**$ 222.9**	$ 165.2	**$ 236.1**	$ 146.8	**$ 355.0**	$227.2	**$ –**	$ –	**$1,441.3**	$1,199.2

19. RELATED PARTY TRANSACTIONS

Transactions with related parties included purchases and sales of telecommunications technology, equipment and supplies, directory advertising commissions and payments for services rendered under cost-sharing agreements. During the year, the Company purchased goods and services from related parties amounting to $157.0 million ($139.9 million in 1999). Sales to related parties amounted to $20.4 million ($7.2 million – 1999). These transactions were conducted in the normal course of business at prices established and agreed to by both parties.

20. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) in Canada. The principles adopted in these financial statements conform in all material respects to those generally accepted in the United States except as summarized below. Significant differences between Canadian GAAP and U.S. GAAP would have the following effect on reported net income of the Company:

(millions)	**2000**	1999
Net income in accordance with Canadian GAAP	**$ 461.0**	$ 349.7
Adjustments, net of tax:		
Net income of acquired company prior to acquisition (a)	**–**	(15.3)
TELUS portion of the restructuring charge (b)	**–**	144.6
Decrease in depreciation expense (c)	**19.3**	17.7
Decrease in interest expense (d)	**23.3**	14.2
Amortization of intangible assets (e)	**(64.6)**	(59.2)
Goodwill amortization (f)	**(20.2)**	(11.6)
Change in accounting policy (g)	**–**	(30.8)
Asset impairment – decrease in depreciation (h)	**40.0**	40.0
Change in future employee benefits (i)	**(9.1)**	–
Amortization of additional goodwill – Clearnet purchase (j)	**(1.4)**	–
Interest on convertible debentures (k)	**(1.5)**	–
Foreign exchange	**(0.9)**	–
Revaluation of future income tax assets (n)	**66.3**	–
Net income in accordance with U.S. GAAP	**$ 512.2**	$ 449.3
Earnings per share under U.S. GAAP (basic and diluted):		
Before extraordinary items	**$ 2.07**	$ 1.88
Extraordinary items	**–**	–
After extraordinary items	**$ 2.07**	$ 1.88

The following is a restatement of major balance sheet categories to reflect the application of U.S. GAAP:

(millions)	**2000**	1999
Current assets	**$ 1,654.5**	$ 1,246.3
Capital assets	**15,019.4**	9,373.4
Goodwill	**2,239.8**	400.2
Deferred income taxes	**1,212.7**	603.5
Other assets	**660.8**	332.4
	$ 20,787.2	$ 11,955.8
Current liabilities	**$ 6,669.5**	$ 1,794.5
Long-term debt	**3,262.9**	1,664.7
Other long-term liabilities	**346.9**	141.0
Deferred income taxes	**1,749.9**	1,804.9
Non-controlling interest	**74.3**	12.4
Shareholders' equity	**8,683.7**	6,538.3
	$ 20,787.2	$ 11,955.8

The following is a reconciliation of shareholders' equity incorporating the differences between Canadian and U.S. GAAP:

(millions)	**2000**	1999
Shareholders' Equity under Canadian GAAP	**$ 6,418.4**	$ 4,307.7
Adjustments:		
Purchase versus Pooling Accounting (a) – (f)	**2,331.6**	2,382.8
Revaluation of future income tax assets (n)	**66.3**	–
Reclassification of convertible debt from equity to debt (k)	**(149.6)**	–
Clearnet related U.S. GAAP adjustments (l)	**(0.9)**	–
Additional goodwill on Clearnet purchase (j)	**130.1**	–
Asset Impairment (h)	**(112.2)**	(152.2)
Shareholders' Equity under U.S. GAAP	**$ 8,683.7**	$ 6,538.3

The following is a restatement of cash flows to reflect the application of U.S. GAAP:

(millions)	**2000**	1999
Operating Activities		
Net income	**$ 512.2**	$ 449.3
Depreciation and amortization	**1,245.3**	1,036.0
Deferred income taxes	**91.4**	94.6
Non-cash restructuring related write-offs	**–**	7.4
Gain on disposal of property and investments	**–**	(36.9)
Sinking fund earnings	**(4.1)**	(11.6)
Other, net	**(40.2)**	(21.6)
Operating cash flow	**1,804.6**	1,517.2
Provision for future cash restructuring costs	**–**	147.8
Changes in working capital	**(75.2)**	(44.4)
Cash from operations	**1,729.4**	1,620.6
Less: dividends to shareholders	**(353.0)**	(334.9)
	1,376.4	1,285.7
Investing Activities		
Purchase of TELUS	**–**	(110.7)
Capital expenditures, net	**(1,441.3)**	(1,161.7)
Purchase of Clearnet Communications Inc., net of cash acquired	**(1,857.4)**	–
Other acquisitions, net of cash acquired	**(606.6)**	–
Proceeds from the sale of property and investments	**96.9**	40.2
Change in investments and other assets	**(22.7)**	12.6
	(3,831.1)	(1,219.6)
Financing Activities		
Common shares issued	**14.4**	3.5
Long-term debt issued	**234.9**	39.8
Sinking fund withdrawal	**109.5**	32.7
Increase (decrease) in short-term notes payable	**4,112.4**	(43.3)
Redemptions of long-term debt	**(1,764.8)**	(258.4)
Other	**(119.2)**	1.4
	2,587.2	(224.3)
Increase (decrease) in cash	**132.5**	(158.2)
Cash and temporary investments (bank indebtedness), beginning of year	**(32.3)**	125.9
Cash and temporary investments (bank indebtedness), end of year	**$ 100.2**	$ (32.3)

(a) Merger of BC TELECOM and TELUS

The business combination between BC TELECOM and TELUS Corporation (now TELUS Holdings Inc.) described in note 1(b) was accounted for using the pooling of interests method under Canadian GAAP. Under Canadian GAAP, the application of the pooling of interests method of accounting for the merger of BC TELECOM and TELUS (TELUS Holdings Inc.) resulted in the restatement of prior periods as if the two companies had always been combined. Under U.S. GAAP, the merger is accounted for using the purchase method. Use of the purchase method results in TELUS (TELUS Holdings Inc.) being acquired by BC TELECOM for $4,662.4 million (including merger related costs of $51.9 million) effective January 31, 1999. The acquisition was effected by issuing 112.3 million shares in TELUS Corporation (formerly "BCT.TELUS Corporation") and 1.5 million options to replace TELUS (TELUS Holdings Inc.) options outstanding.

The acquisition is summarized as follows:

(millions)	
Net assets acquired	
Net working capital (including bank indebtedness acquired of $57.5 million)	$ (644.6)
Property and equipment	2,531.4
Intangible assets	4,033.3
Goodwill	403.1
Deferred income tax asset	587.8
Other assets	284.8
Long-term debt	(667.7)
Deferred income tax liability	(1,855.3)
Other liabilities	(10.4)
	$ 4,662.4
Financed by	
Issuance of shares and replacement options	$ 4,609.2
Repurchase of partial shares	1.3
Transaction costs	51.9
	$ 4,662.4

The results of TELUS prior to the merger date of January 31, 1999, would not be included in the results of the Company under U.S. GAAP. Therefore, $15.3 million for the month ended January 31, 1999, has been deducted from the net income under Canadian GAAP.

(b) Restructuring Charge

A charge of $466.3 million was recorded in 1999 for the expected costs to complete merger-related restructuring activities. Under U.S. GAAP, costs incurred to:

- exit an activity of an acquired company,
- involuntarily terminate employees of an acquired company, or
- relocate employees of an acquired company

are recognized as liabilities assumed in a purchase business combination. Therefore, qualifying merger related restructuring costs (after tax) of $144.6 million associated with TELUS have been recorded as liabilities assumed at the time of purchase.

(c) Depreciation

Under the purchase method, TELUS' capital assets on acquisition have been recorded at fair value rather than at their underlying cost (book values) to TELUS. Therefore, depreciation of such assets based on fair values at the date of acquisition under U.S. GAAP will be different than TELUS' depreciation based on underlying cost (book values).

(d) Interest

Under the purchase method, TELUS' long-term debt on acquisition has been recorded at its fair value rather than at its underlying cost (book value) to TELUS. Therefore, interest expense calculated on the debt based on fair values at the date of acquisition under U.S. GAAP will be different than TELUS' interest expense based on underlying cost (book values).

(e) Intangible Assets

As TELUS' intangible assets on acquisition have been recorded at their fair value, amortization of such assets needs to be included under U.S. GAAP. Amortization is calculated using the straight-line method at the following rates:

	Assigned Fair Value on Acquisition	Useful Life
Subscribers – wireline	$ 1,950.0 million	40 years
Spectrum licenses	$ 1,833.3 million	40 years
Subscribers – wireless	$ 250.0 million	10 years

(f) Goodwill

Under the purchase method of accounting, TELUS' assets and liabilities at acquisition have been recorded at their fair values with the excess purchase price being allocated to goodwill. The goodwill on the acquisition of TELUS is being amortized on a straight-line basis over its estimated life of 20 years.

(g) Change in Accounting Policy

Under Canadian GAAP, changes in accounting policies are applied retroactively. Under U.S. GAAP the cumulative effect of changing to a new accounting principle on the amount of retained earnings at the beginning of the period in which the change is made is included in net income of the period of the change.

(h) Asset Impairment

In assessing capital asset impairment under Canadian GAAP, estimated future net cash flows are not discounted in computing the net recoverable amount. Under U.S. GAAP, the determination on whether or not the assets are impaired is made on a discounted basis. Upon determining that asset impairment existed, the Company estimated fair value using discounted cash flows. Under U.S. GAAP, the charge taken would be $232.2 million higher and would not be considered an extraordinary item.

As a result, under U.S. GAAP the capital assets have a book value which is $232.2 million lower than the value under Canadian GAAP. Therefore, under U.S. GAAP the annual depreciation expense, after tax, would be $40 million lower.

(i) Future Employee Benefits

Under U.S. GAAP, TELUS' future employee benefit assets and obligations have been recorded at their fair values on acquisition. Accounting for future employee benefits under Canadian GAAP changed to become more consistent with U.S. GAAP effective January 1, 2000. Canadian GAAP provides that the transitional balances can be accounted for prospectively. Therefore, to conform to U.S. GAAP, the amortization of the transitional amount needs to be removed from the future employee benefit expense.

(j) Additional Goodwill on Clearnet purchase

Under U.S. GAAP, shares issued by the acquirer to effect an acquisition are measured at the date the acquisition was announced; however, under Canadian GAAP shares issued to effect an acquisition are measured at transaction date. This results in the purchase price under U.S. GAAP being $131.4 million higher than under Canadian GAAP. The resulting difference is assigned to goodwill which is being amortized on a straight-line basis over 20 years.

(k) Convertible Debentures

Under Canadian GAAP, financial instruments such as the Convertible Debentures (the "Debentures") are classified as debt or equity according to their substance rather than their legal form. Accordingly, due to the substance of the transaction the Debentures have been classified as equity and the corresponding interest expense and the amortization of issue costs has been charged to the retained earnings rather than to the Statement of Income. Pursuant to U.S. GAAP, the Debentures would be included in long-term debt. The corresponding interest expense on the Debentures and the amortization of issue costs are charged to the Statement of Income.

(l) Foreign Exchange

U.S. GAAP requires that gains and losses on foreign exchange resulting from the translation of long-term debt be charged to income when incurred. Canadian GAAP requires that such foreign exchange gains or losses are amortized over the remaining life of the long-term debt.

(m) Revenue Recognition

Effective January 1, 2000, the Company adopted the recommendations of "Staff Accounting Bulletin No. 101," Revenue Recognition in Financial Statements ("SAB 101"). Under these recommendations, the Company will defer the recognition of revenue from the sale of certain assets and recognize it into income over the estimated average expected life of the customer. The Company will also defer the recognition of the related cost of those assets, in an amount not exceeding the amount of revenue being deferred, and recognize it into income over the expected life of the customer. As a result, $141.4 million in equipment sales, rental and service revenue and $141.4 million of related cost of sales were deferred as at December 31, 2000.

(n) Revaluation of Future Income Tax Assets

Canadian GAAP requires recognition of the effects of a change in tax laws or rates when the change is "substantively enacted." Thus, recognition may precede actual enactment by a period of several months. U.S. GAAP (FAS 109) requires recognition upon actual enactment, which is the date that the U.S. President signs the tax law.

Additional Disclosures Required under U.S. GAAP

Stock-Based Compensation

SFAS 123, "Accounting for Stock-Based Compensation," establishes financial accounting and reporting standards for stock-based employee compensation plans. As permitted by this statement, the Company has elected to continue to follow the intrinsic value method of accounting for stock-based compensation arrangements, as provided for in APB Opinion 25. Since all options were granted with exercise prices equal to the market price at the date of grant, no compensation cost has been charged to operations.

Under U.S. GAAP, a company which does not adopt the fair value method described in SFAS 123 must disclose the cost of stock compensation awards, at their fair value, at the date the award is granted. The fair value of the Company's options was estimated using the Black-Scholes model with assumptions of a 10-year expected term, volatility ranging from 20% to 28%, interest rates ranging from 5.5% to 5.6% and an expected dividend yield ranging from 3.3% to 4.1%. Had compensation cost for the employee stock option plan been determined based upon fair value at the date of award, the Company's net income and earnings per share would have been reduced by approximately $9.6 million and $1.3 million or $0.04 and $0.01 per share in the years 2000 and 1999 respectively.

Comprehensive Income

SFAS 130, "Reporting Comprehensive Income," requires that a statement of comprehensive income be displayed with the same prominence as other financial statements. Comprehensive income, which incorporates net income, includes all changes in equity during a period except those resulting from investments by and distributions to owners. There is no requirement to disclose comprehensive income under Canadian GAAP.

There are no material differences between Canadian and U.S. GAAP which would have an impact on the consolidated statements of comprehensive income except as outlined in the tables above.

Recently Issued Accounting Standards Not Yet Implemented

Under Staff Accounting Bulletin 74, the Company is required to disclose certain information related to new accounting standards which have not yet been adopted due to delayed effective dates.

SFAS 133, "Accounting for Derivative Instruments and Hedging Activities," originally effective for fiscal 2000, has been deferred and will now be effective for fiscal 2001. It requires that all derivatives be recognized as either assets or liabilities and measured at fair value. The criteria for determining whether all or a portion of a derivative may be designated as a hedge have changed. Derivatives which are fair value hedges, together with the financial instrument being hedged, will be marked to market with adjustments reflected in income. Derivatives which are cash flow hedges will be marked to market with adjustments reflected in comprehensive income. The adoption of this Statement in 2000 would have resulted in $30.3 million being recognized as an expense in other comprehensive income and a loss of $1.0 million being recognized in the income statement.

21. PRIOR YEAR PRESENTATION

The 1999 amounts have been reclassified, where applicable, to conform with the 2000 presentation.

22. SUBSEQUENT EVENTS

(a) On January 30, 2001, the Company sold certain administrative buildings as part of a sale leaseback arrangement. The proceeds on sale were $108.4 million, resulting in a deferred gain on sale of $17.3 million.

(b) On February 1, 2001, the Company became the successful bidder during the public auction of additional PCS Spectrum licenses in certain regions of Canada. The amount to be paid in 2001 for these assets will be $355.9 million.

Darren Entwistle

> President and Chief Executive Officer, TELUS Corporation

"TELUS is on track to lead the Canadian communications industry. We are evolving at a very fast pace because we understand that in this market, speed is of the essence and execution is everything."

Darren assumed the position of President and Chief Executive Officer of TELUS Corporation on July 10, 2000. He began his career at Bell Canada in 1988, progressing to hold senior finance positions for Bell Canada International. He joined Mercury Communications in 1993 in the United Kingdom, holding key positions in corporate finance and strategy. He then moved onto Cable & Wireless plc as Merger Director and implemented the largest merger in U.K. history and the world's first four-way merger, involving cable and telecom companies. Later, he held various senior management positions in Cable & Wireless Europe, including Director of IP Services, responsible for operations in nine countries. Most recently, he was President, Cable & Wireless U.K. and Ireland. While in that role, Darren led the global restructuring of the Cable and Wireless group. Darren holds an MBA in finance from McGill University and a diploma in network engineering from the University of Toronto.

demand drivers

John Y. B. Chang

> Executive Vice-President and President, Client Solutions

"I am part of a passionate and results-oriented team that is eager to take on the competition across Canada and bring innovative solutions to large companies and organizations. We have an enormous opportunity in front of us – an opportunity to expand and grow our business by answering our customers' demand for converged data, IP, voice, and wireless solutions. By acting quickly and with focus, we can take full advantage of that opportunity to capture market share in Central Canada and achieve tremendous growth."

John joined ISM-BC, a TELUS subsidiary, in 1994. He has held executive positions in sales, operations and applications management, including Vice-President, Advanced Business Application Solutions. He was a key member of the ISM-BC executive team that oversaw the company's rapid evolution into Western Canada's pre-eminent information technology services company. In his current role, he leads a new division specializing in the design and provision of customized, integrated data, IP, voice, and wireless solutions for Canada's large business, corporate and private sector enterprises.

George Cope

> President and Chief Executive Officer, TELUS Mobility

"I'm proud to support the team of more than 4,000 professionals across Canada that make up TELUS Mobility, the fastest-growing and highest-revenue wireless communications company in the nation. Uniting the wireless operations of TELUS, Clearnet and QuébecTel gives us the power to enhance our leadership position in the Canadian wireless marketplace."

Beginning in 1987, George served as President and CEO of Clearnet Communications Inc., which was acquired by TELUS in a deal that closed October 20, 2000. Under his stewardship, Clearnet became a public company, raised more than $3.2 billion in capital and launched two state-of-the-art digital wireless networks. Today, he is responsible for overseeing the integration of the former Clearnet organization and QuébecTel Mobilité with TELUS Mobility operations, and building on the strength of the new TELUS Mobility as Canada's leading national provider of wireless solutions.

Daniel Delaloye

> Executive Vice-President, Consumer Solutions

"I am excited about working with a large group of communications professionals to create a customer-focused culture from which we will lead the marketplace. We will deliver the most comprehensive product bundle in the marketplace, aggressively roll out high-speed Internet services, and engage the hearts and minds of the entire Consumer Solutions team by providing unbeatable service and value to our customers."

Before joining TELUS in 1993, Dan was with Xerox Corporation, where he gained significant experience in sales, marketing, operations and human resources. While at TELUS, Dan has held several executive positions, including leading the Alberta Consumer Markets division. Most recently, he served as Vice-President, International and Carrier Services, leading the Company's wholesale business through significant growth and change. Today, he is responsible for maximizing our market share in Western Canada by providing innovative and integrated IP, voice and wireless solutions to consumers.

Joseph Grech

> Executive Vice-President and President, Global Trading & Partner Solutions

"It is really exciting to be leading the Global Trading & Partner Solutions team in this time of massive change within the Canadian market and within TELUS itself. With the demise of Stentor, the emergence of high bandwidth and access solution demands and the opening up of the international marketplace, TELUS is in a very attractive position to drive its own destiny. We are creating a distinct business-focused team to serve entrepreneurial service providers and carriers – customers who will be a major source of growth, scale and innovation for TELUS."

Joe joined TELUS in 2000 from Cable & Wireless in the U.K., where he was responsible for C&W's Global IP and wholesale revenues. While at C&W, he led a worldwide team delivering Internet backbone access and managed data services. He also created the business plan which resulted in the largest merger in U.K. history, combining Mercury Communications with three U.K.-based cable companies to create Cable & Wireless Communications. Today, he is responsible for developing TELUS into the leading provider of IP and data services to TELUS' carrier, wireless, reseller, cable-TV and Internet service provider customers.

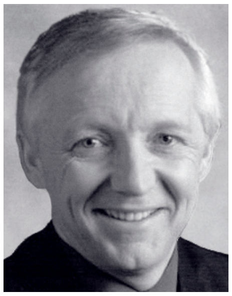
John Maduri

> Executive Vice-President and President, Business Solutions

"I am looking forward to leading my national team in growing TELUS' presence and position in the segment of medium and small business customers. We will build on our strength in the West to deliver innovative data, IP, voice, and wireless solutions that anticipate the needs of customers across Canada. Our integrated solutions will support our customers in growing in and profiting from the Internet economy."

John joined TELUS last year as Executive Vice President and President, TELUS Mobility. He has 14 years of experience in cable-TV and wireless communications, with a particular focus in the areas of business strategy, finance, operations and customer care. Through a variety of senior positions with Rogers Cantel Mobile Communications (now Rogers AT&T Wireless), John has participated in the growth, development and evolution of the Canadian wireless industry. He was named to his current position last December. He is responsible for maximizing market share by leading a national team to provide innovative and integrated data, IP, voice, and wireless solutions to small and medium business customers.

Hugues St-Pierre



> President and Chief Executive Officer, TELUS Québec

"TELUS Québec's objective is to become Bell Canada's chief competitor for customers in the Québec business market. We currently have five per cent of the overall market in Québec. We are aggressively attacking the remaining 95 per cent with the help of our dynamic people. Capturing a mere 10 per cent of Québec business will triple our business volume. I firmly believe TELUS Québec will be an active player in helping Team TELUS realize its business vision."

Hugues began his professional career with the Royal Bank and then joined QuébecTel in 1975. Over the years, he assumed increasing responsibilities in various organizational units, including revenue planning, regulation, marketing, sales, operations and information systems. He assumed President and Chief Operating Officer duties on September 1, 1998. Today, Hugues is responsible for contributing to the development and implementation of TELUS' national strategy over the entire Province of Québec.

Barry Baptie

> Executive Vice-President, Technology & Operations

"Our team is 9,500 strong – located across our country, highly skilled and motivated to deliver technology solutions for our customers. Together we will be providing, managing and maintaining the network technology and operations required to deliver data, IP and voice services on a regional and national basis. While this is going to be a challenging year, through teamwork we can make it rewarding and fun for everyone."

Barry's career in telecommunications began at Edmonton Telephones where he held senior positions in regulatory, strategy, customer service, billing and administrative services. After the merger of BC TELECOM and TELUS, he held senior positions in finance, including Executive Vice-President, Finance and Chief Financial Officer. In his current position, he is responsible for establishing the infrastructure necessary to support the development and delivery of data, integrated IP, and voice services on a regional and national basis. He is also responsible for the chief technology officer role and oversees the functions of service assurance and fulfillment, network management, planning and architecture development, network infrastructure provisioning, field operations and operational logistical support.

Paul A. Mirabelle

> Executive Vice-President, Business Transformation

"Being able to change and to anticipate what TELUS will need to become in order to be competitive is critical to our success. How do we make it happen? We take our processes, systems, alliances and the way we work and focus them on transforming TELUS. This is the challenge for my team. We are building on the profound changes that are already occurring across TELUS and will support the other business units in executing the Company's strategy."

In 2000, Paul joined the TELUS team as Vice-President, Corporate Development and Strategy. Prior to joining TELUS, he was a Vice-President of the Boston Consulting Group, leading the telecommunications team in Australia. In his current role, he works with leaders of the other business units in a collaborative effort to identify, design, assess and implement transformation change initiatives for TELUS. His team will be responsible for all major enterprise-wide change initiatives, including Web-enabling TELUS, creating an IT roadmap, fundamental process redesign, post-merger and acquisition integration activities and enterprise resource prioritization and management.

Roy Osing

> Executive Vice-President, Enterprise Marketing and Chief Marketing Officer

"Marketing is my passion and I am thrilled to lead the marketing team across TELUS in being fast to market with solutions driven by Internet, data and wireless technologies. We will beat our competitors by offering customers these exciting and compelling solutions, while those same competitors offer single products only. My measure of success for 2001 is simple – we're succeeding in the marketplace and we're having fun doing it."

Roy has an extensive background in marketing and telecommunications. Among his achievements, he was BC TEL's Senior Vice-President of Marketing, responsible for enterprise marketing strategy and "go to market" programs. Most recently, he served as Executive Vice-President and President, TELUS Advanced Communications. In his current capacity, he ensures that our corporate strategy of delivering integrated IP, data, voice and wireless solutions is effectively marketed to customers. He will oversee the development and implementation of a comprehensive enterprise marketing plan that brings together TELUS' products and services into unique, competitively priced customer solutions supported by a coordinated advertising and sales effort.

Mark W. Schnarr

> Executive Vice-President, TELUS Ventures

"I have the fantastic job of starting up exciting new businesses for TELUS. Through TELUS Ventures, there are tremendous opportunities for us to enter other industries and provide more opportunities to TELUS, financial gain to our shareholders and new products and services to our customers. We will give customers access to the latest innovations – innovations that might not be in our current core product line, but support complementary and synergistic products and services."

Mark joined BC TEL as a product manager in 1980, holding increasingly senior management positions in the organization. After the BC TELECOM/TELUS merger in February 1999, he assumed the role of Vice-President, Internet Services. There, he was responsible for a number of new IP-based companies, technologies and services. In his current role, Mark manages the company's venture capital which will be targeted at incubating start-up businesses and investing in emerging technologies that are consistent with TELUS' strategy to exploit the convergence of data, IP, voice and wireless.

Patricia Bowles

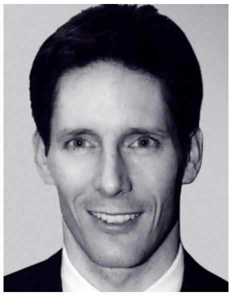
> Executive Vice-President, Communications

"The role of my Communications team is to make sure the TELUS story is heard and understood by all our stakeholders – team members, media, customers, government and others. We will focus on translating our strategic intent and achievements for our key audiences and we will lead the charge in establishing a single brand identity for TELUS."

Patricia has extensive experience in public relations, public affairs, marketing and government relations. She has worked in book publishing and advertising and held senior corporate communications and marketing positions with two of Canada's largest companies. Before joining TELUS in 2000, she was Senior Counsel and General Manager for the British Columbia division of a major international consulting firm. In her current position, she is responsible for all external and internal communications for the Company, TELUS' brand and reputation, event marketing and sponsorships, and community affairs.

Robert G. McFarlane

> Executive Vice-President and Chief Financial Officer



"The Finance team is focused on contributing to shareholder value by guaranteeing the financial health of TELUS. Our mandate is to provide responsible and responsive value-added financial services for internal TELUS clients and for external investors. Our priorities for 2001 include restructuring and refinancing several billions of dollars of debt; implementing measures to save hundreds of millions of dollars in tax; expanding the profile of TELUS among investors in Canada and in the United States; and effectively establishing the new centralized finance operations group."

Most recently, Robert served as Executive Vice-President, Chief Financial Officer and Secretary Treasurer of Clearnet and as a member of its Board of Directors. He led the development of Clearnet's finance, accounting and risk management teams from a near start-up state, including the raising of over $3.2 billion in capital from 15 financings. Following the acquisition of Clearnet, Bob was named to his current position. He is responsible for the development of corporate financial strategies, plans and policies as well as the delivery of these services. In addition, he oversees treasury operations, investor relations, finance operations, financial reporting and control and risk management.

Jim Peters

> Executive Vice-President, Corporate Development and General Counsel

"My team will position TELUS as a leading national player by driving focused enterprise strategies and aggressively pursuing mergers, acquisitions, partnerships and divestitures to build national capabilities across data/IP, voice and wireless."

Jim joined BC TEL in 1988, first as a member of the legal department and then as Director of Mergers and Acquisitions. He was a key member of the team that directed the merger of BC TELECOM and TELUS. Following the merger, he was named Executive Vice-President, Corporate Development and Emerging Businesses. Later, he took on responsibility for the chief general counsel portfolio. Most recently, he led the TELUS team involved in the acquisition of Clearnet. In his current position, he is responsible for business development, regulatory and government affairs, strategy development, corporate secretary, legal affairs, as well as consumer and employee privacy matters.

Judy Shuttleworth

> Executive Vice-President, Human Resources

"I am the employees' strategic partner, change agent and champion. The Human Resources team will lead cultural change, energizing Team TELUS. It is our people, values and culture that are going to make the difference in the marketplace. My mandate is to make TELUS the envy of the world in terms of its values, the quality of its people and the culture of the enterprise."

Judy has held various senior management positions at TELUS including Vice-President, Labour Relations and Director, Employee Relations. Judy drives the national "people" strategy, aligning human resources and business strategy. She is responsible for providing human resources programs and practices that focus on strategy execution, employee commitment and capability, organization design, performance alignment and change leadership. She is also responsible for labour relations, recruitment, employee relations, employee reward and development programs, compensation and benefits.

> board of directors

Name and Municipality of Residence	Principal Occupation	Director Since
R. John Butler, Q.C. Edmonton, Alberta	Corporate and Legal Consultant	1995
Brian A. Canfield Point Roberts, Washington	Chairman, TELUS Corporation	1993
Pierre Choquette Vancouver, British Columbia	President and Chief Executive Officer, Methanex Corporation (methanol producer and marketer)	1997
G. N. (Mel) Cooper Victoria, British Columbia	Chairman and Chief Executive Officer, Seacoast Communications Group Inc. (broadcasting company)	1993
David L. Emerson Vancouver, British Columbia	President and Chief Executive Officer, Canfor Corporation (integrated forest products company)	1996
Darren Entwistle Vancouver, British Columbia	President and Chief Executive Officer, TELUS Corporation	2000
Iain J. Harris Vancouver, British Columbia	Chairman and Chief Executive Officer, Summit Holdings Ltd. (investment and holding company)	1997
John S. Lacey Toronto, Ontario	Chairman, Loewen Group Inc. (funeral home operator)	2000
Richard J. LeLacheur Edmonton, Alberta	Chairman, Workers' Compensation Board – Alberta and President and Chief Executive Officer, Edmonton 2001 World Championships in Athletics	1991
Michael T. Masin Greenwich, Connecticut	Vice-Chairman and President, Verizon Communications Inc. (global telecommunications company)	1995
Harold P. Milavsky Calgary, Alberta	Chairman, Quantico Capital Corp. (investment firm)	1991
Walter B. O'Donoghue Calgary, Alberta	Partner, Bennett Jones (law firm)	1991
Fares F. Salloum Dallas, Texas	President International, The Americas, Verizon Communications Inc. (global telecommunications company)	1997
Dr. Gerri Sinclair Vancouver, British Columbia	President and Chief Executive Officer, Ncompass Labs Inc. (Internet software company)	1998
Ronald P. Triffo Edmonton, Alberta	Chairman, Stantec Inc. (engineering company)	1995
Donald Woodley Orangeville, Ontario	President, The Fifth Line Enterprises (IT consulting firm)	1998

Additional biographical information is contained in the Information Circular for the 2001 Annual and Special Meeting or see www.telus.com

3G: Third Generation, describes next generation wireless technology that is expected to be CDMA-based and offer high-speed packet data mobile wireless Internet access and multimedia communications. Analogue cellular is considered the First Generation of wireless while digital is Second Generation.

ADSL (asymmetric digital subscriber line): A technology that allows existing copper telephone lines to carry voice, data and video images at very high speeds.

Alberta.com: A news and information Website for Albertans. The site provides information on news, sports, entertainment, directories, maps and communication services.

Analogue: A transmission method employing a continuous (rather than pulsed or digital) electrical signal.

ARPM (average revenue per minute): For long distance traffic.

ARPU (average revenue per unit): Average revenue per unit, or wireless subscriber, expressed as a rate per month for a given measurement period.

ASP (application service provider): A company that offers individuals or enterprises access over the Internet to applications and related services that would otherwise have to be located in their own personal or enterprise computers.

ATM (asynchronous transfer mode): A high-speed switching technology that routes voice, data and video at high speeds over the same network.

Bandwidth: The difference between the top and bottom limiting frequencies of a continuous frequency band; or indicator of the information-carrying capacity of a channel. The greater the bandwidth, the greater the information-carrying capacity.

Bundle: A group of telecommunications services, i.e. Internet, long distance and calling features, that are sold together often at a lower price than if purchased separately.

CDMA (code division multiple access): Technique that spreads a signal over a frequency band that is larger than the signal to enable the use of a common band by many users and to achieve signal security and privacy. See also IS-95 and CDMA2000.

CDMA2000: A third-generation wireless standard, adopted by the International Telecommunications Union (ITU), which prescribes an evolutionary path to 3G for IS-95 based systems. The first step in the CDMA2000 evolution after IS-95 is called 1XRTT. See also IS-95 and CDMA.

CDPD (cellular digital packet data): A specification for supporting wireless access to the Internet and other public packet-switched networks.

Cell site: Individual locations of network transmitter, receiver, antenna signaling and related base station equipment.

Cellular: The mobile radio-telephone service, licensed by Industry Canada in Canada and the FCC in the United States to utilize 50 MHz of spectrum in the 800 MHz band. There are two 25 MHz licensees operating in each region of Canada.

Churn rate: The number of subscriber units disconnected divided by the average number of units on the network, expressed as a rate per month for a given measurement period.

CRTC (Canadian Radio-television and Telecommunications Commission): The federal regulator for radio and television broadcasters, and cable-TV and telecommunications companies in Canada.

Dial-up access: Connecting to another computer or network using a modem over a regular telephone line.

Digital: A transmission method employing a sequence of discrete, distinct pulses that represent the binary digits 0 and 1 to indicate specific information, in contrast to the continuous signal of analogue. Digital networks provide improved clarity, capacity, features and privacy compared to analogue systems.

EBITDA: Earnings before interest, taxes and amortization. Under Canadian GAAP, amortization includes depreciation. In Canada, EBITA is equivalent to EBITDA.

e-commerce: Refers to business conducted electronically, usually via the Internet.

ESMR (enhanced specialized mobile radio): Specialized mobile radio networks that have incorporated frequency reuse and TDMA technology to increase their capacity and to provide service over very large coverage areas. An ESMR network is designed not only for the dispatch service associated with SMR, but also for mobile telephony and short messaging services, as well as circuit-switched and packet data services.

Ethernet: A common method of networking computers in a local area network. Ethernet will handle about 10 million bits-per-second and can be used with almost any kind of computer.

Fibre network: Transmits information by light pulses along hair-thin glass fibres. Cables of optical fibres can be made smaller and lighter than conventional cables using copper wires or coaxial cable, yet they can carry much more information, making them useful for transmitting large amounts of data between computers or many simultaneous telephone conversations.

Frame relay: A high-speed packet switching technology that has evolved to meet the LAN-to-LAN interconnection market. Frame relay is designed to provide high-speed packet transmission, very low network delay and efficient use of network bandwidth.

GAAP: Generally accepted accounting principles.

GHz: Gigahertz. See Hertz.

GSM (Global System for Mobile Communications): A TDMA-based digital communications standard that has been widely deployed in Europe and around the world in the 900 and 1800 MHz bands. A separate variant called PCS-1900 has been developed for use in the 1.9 GHz PCS frequency range in North America.

Hertz: The dimensional unit for measuring the frequency with which an electromagnetic signal cycles through the zero-value state between lowest and highest states. One hertz (Hz) equals one cycle per second. KHz (kilohertz) equals one thousand hertz. MHz (megahertz) equals one million hertz. GHz (gigahertz) equals one billion hertz.

iDEN (integrated digital enhanced network): An ESMR network technology developed by Motorola to utilize 800 MHz SMR channels for ESMR digital service. The digital signals offer greatly enhanced spectrum efficiency and system capacity.

Industry Canada: The Canadian federal Department of Industry, on behalf of the Canadian Minister of Industry. Among other mandates, Industry Canada has responsibility for national telecom policy and for the regulation, management and allocation of radio spectrum in Canada and for establishing technical requirements for various wireless systems.

Internet: The global Web of networks that connects computers around the world, providing rapid access to information from multiple sources. The Internet was established by the U.S. Department of Defense during the Cold War.

Internet protocol (IP): Standards adopted by the Internet community to help with specific tasks such as transferring files between computers and sending mail.

IS-95 (Interim Standard 95): A version of CDMA specified by the Telecommunications Industry Association (TIA) that is used by TELUS Mobility and other networks around the world. IS-95 is often referred to as cdmaOne. See also CDMA.

ISDN (integrated services digital network): Switched network providing end-to-end digital connection for simultaneous transmission of voice and/or data over multiple multiplexed communication channels and employing transmission that conforms to internationally defined standards.

ISP (internet service provider): A company that provides Internet access service to residences and/or businesses.

IT (information technology): A term that encompasses all forms of technology used to create, store, exchange, and use information in its various forms (data, voice conversations, still images, motion pictures, multimedia, and other forms, including those not yet conceived).

kbps (kilobits per second): Thousands of bits per second, used to describe the speed of a network connection or telecommunications medium.

LAN (local area network): A way of connecting several computers, typically either in the same room or building, so that they can share files and devices like printers and copiers.

Local loop: The transmission path between the telecommunications network and a client's terminal equipment.

mbps (megabits per second): Millions of bits per second, used to describe the speed of a network connection or telecommunications medium.

m-commerce: Mobile commerce is the buying and selling of goods and services through wireless handheld devices such as cellular telephone and personal digital assistants.

MHz: Megahertz. See Hertz.

Multimedia: The combination of various forms of media (texts, graphics, animation, audio, etc.) to communicate information. The term also refers to information products that include text, audio, and visual content.

MyBC.com: A news and information Website for British Columbians. The site provides information on news, sports, entertainment, directories, maps and communication services.

MyTO.com: Toronto's most comprehensive local Web portal. The site provides information on news, sports, entertainment, directories, maps and communication services.

Paging: Wireless text messaging services.

PCS (personal communications services): Digital wireless voice, data and text messaging services. In Canada and the United States, PCS spectrum has been allocated for use by public systems at the 1.9 GHz frequency range.

Postpaid: A conventional method of payment for wireless service where a subscriber pays for a significant portion of services and usage in arrears, subsequent to consuming the services.

Prepaid: A method of payment for wireless service that allows a subscriber to prepay for a set amount of airtime in advance of actual usage. Generally, a subscriber's prepaid account is debited at the time of sale so that actual usage cannot exceed the prepaid amount until an additional prepayment is made.

Roaming: A service offered by wireless network operators that allows subscribers to use their radios or telephones while in the service area of another operator; requires a roaming agreement between the operators.

SONET (synchronous optical network): Is an optical interface standard that allows interworking of transmission products from multiple vendors.

Spectrum: The range of electromagnetic radio frequencies used in the transmission of sound, data, and video.

Switch: The central computer system or systems in the wireless network responsible for mobility management, interconnection to the PSTN and call detail accounting.

TDMA (time division multiple access): A digital wireless transmission methodology standard used in cellular telephone, ESMR, PCS and other wireless communications systems. iDEN, GSM and PCS-1900 are examples of TDMA systems.

VoIP (Voice-over-IP): The real-time transmission of voice signals over the Internet or IP network.

VPN (virtual private network): A private data network that makes use of a public telecommunication infrastructure, maintaining privacy through the use of a private secure network and security procedures.

WAN (wide area network): A data network extending a LAN (local area network) outside the building, over telecommunication lines to link to other LANs over great distances.

WAP (wireless application protocol): An industry standard for the development of data applications and services over wireless communications networks. TELUS Mobility is a member of the WAP Forum, which is developing the open, global wireless protocol specification that works across differing wireless network technology types.

Web portal: An Internet gateway providing customers with access to on-line news and information, 24 hours a day, seven days a week (see MyBC.com as an example).

Wireless Internet access: Technology that provides access to the Internet through the wireless cellular network instead of the traditional wireline telephone network.

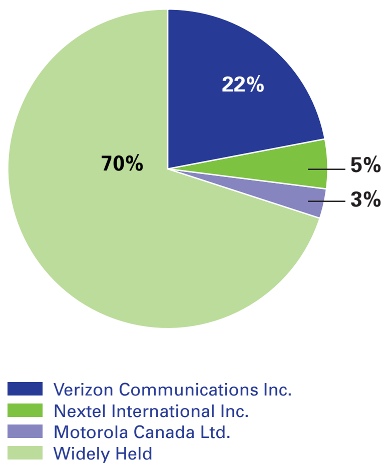
> Stock Exchanges and Trading Symbols

Toronto Stock Exchange:	
TELUS common voting shares	T
TELUS common non-voting shares	T.A
New York Stock Exchange:	
TELUS common non-voting shares	TU

> Ownership at December 31, 2000

Total Outstanding Common Shares	287,069,393	
Common Voting Share Ownership		
Verizon Communications Inc.	47,357,956	26.6%
Widely Held	130,658,724	73.4%
Total Outstanding	178,016,680	100.0%
Common Non-Voting Share Ownership		
Verizon Communications Inc.	15,784,984	14.5%
Nextel International Inc.	13,699,610	12.6%
Motorola Canada Ltd.	9,679,873	8.9%
Widely Held	69,888,246	64.0%
Total Outstanding	109,052,713	100.0%

COMBINED SHARE OWNERSHIP
(December 31, 2000)



Under federal legislation, total non-Canadian ownership of the common voting shares of Canadian telecommunication companies, including TELUS, is limited to $33\frac{1}{3}$%. To control and monitor this level, we implemented a Reservation System. This system requires non-Canadian purchasers of common voting shares to obtain a reservation number from our Transfer Agent, Computershare Trust Company of Canada,[1] by calling the Reservations Unit at 1-877-267-2236. The purchaser is notified within two hours if common voting shares are available for registration.

There are no ownership restrictions on the common non-voting shares.

[1] Formerly Montreal Trust Company

> Share Prices and Volumes

TORONTO STOCK EXCHANGE

Common Voting Shares (T) (C$, volumes in millions)

	2000					1999*				
	Q1	Q2	Q3	Q4	**Year 2000**	Q1	Q2	Q3	Q4	Year 1999
High	45.50	44.50	46.40	42.00	**46.40**	43.00	39.85	36.70	37.70	43.00
Low	33.75	34.25	35.80	36.45	**33.75**	35.55	34.70	30.40	28.10	28.10
Close	43.00	39.50	40.50	41.55	**41.55**	37.00	35.40	30.65	35.15	35.15
Volume	26.4	19.5	29.7	20.1	**95.8**	13.8	14.6	13.1	14.6	56.1
Dividend	0.35	0.35	0.35	0.35	**1.40**	0.35	0.35	0.35	0.35	1.40

Common Non-Voting Shares (T.A) (C$, volumes in millions)

	2000					1999*				
	Q1	Q2	Q3	Q4	**Year 2000**	Q1	Q2	Q3	Q4	Year 1999
High	44.25	43.50	46.45	40.95	**46.45**	40.80	39.50	35.35	36.00	40.80
Low	33.00	34.60	34.10	35.30	**33.00**	33.50	33.95	28.80	27.25	27.25
Close	43.00	39.45	39.10	39.25	**39.25**	35.75	34.85	30.25	34.85	34.85
Volume	10.3	8.0	28.5	22.4	**69.2**	7.1	5.9	4.8	5.0	22.8
Dividend	0.35	0.35	0.35	0.35	**1.40**	0.35	0.35	0.35	0.35	1.40

* February 1 to December 31, 1999 – includes volumes from the Montréal Exchange

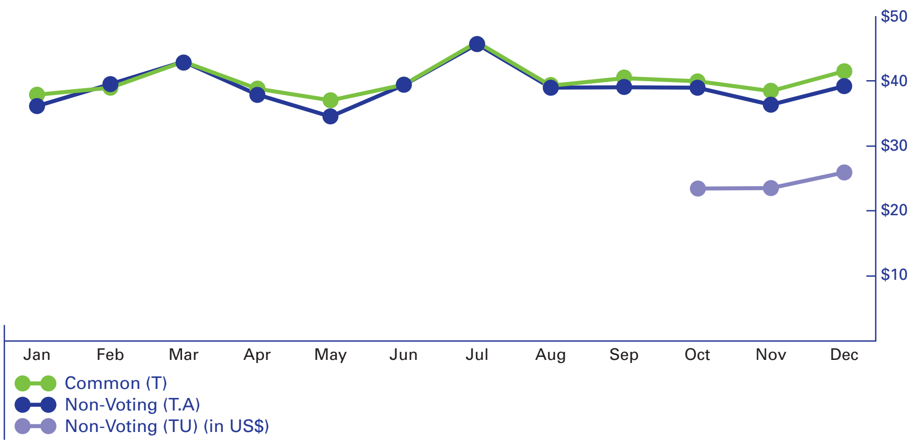
NEW YORK STOCK EXCHANGE**

Common Non-Voting Shares (TU) (US$, volumes in millions)

	2000				
	Q1	Q2	Q3	Q4	**Year 2000**
High				26.81	**26.81**
Low				23.25	**23.25**
Close				25.94	**25.94**
Volume				8.1	**8.1**
Dividend				0.23	**0.23**

** Listed on NYSE on October 17, 2000

> 2000 Monthly Closing Prices for T, T.A and TU



> Registered Shareholders

	2000	1999
TELUS common voting	**45,042**	48,754
TELUS common non-voting	**43,705**	47,306

The Canadian Depository for Securities (CDS) represents one registration and holds securities for many institutions. At the end of 2000, it was estimated that TELUS had over 70,000 non-registered shareholders in each of the two classes of stock.

> Valuation Day Prices

For capital gains purposes, the valuation dates and prices are as follows:

(C$)	Valuation Date	Price	Price when exchanged into TELUS Shares
BC TELECOM	December 22, 1971	6.375	6.375
BC TELECOM	February 22, 1994	25.25	25.25
Pre-merger TELUS	February 22, 1994	16.875	21.71

> If You Need Help Related to the Following

- exchange of BC TELECOM or TELUS Corporation share certificates (dated prior to February 1, 1999) to the new TELUS common and non-voting certificates
- change of address
- transfer of shares
- option to receive quarterly information by mail
- loss of share certificates
- consolidation of multiple mailings to one shareholder
- estate settlements
- dividend payments or direct deposit of dividends into your Canadian bank account
- participate in Dividend Reinvestment and Share Purchase Plan

Please Contact the Transfer Agent and Registrar

- 1-800-558-0046 (toll free within North America)
- (403) 267-6555 (outside North America)
- fax: (403) 267-6592
- Website: www.computershare.com
- e-mail: caregistryinfo@computershare.com

Computershare Trust Company of Canada[1]
Shareholder Services
600, 530 – 8th Avenue SW
Calgary, Alberta, CANADA T2P 3S8

Computershare also has offices in Vancouver, Edmonton, Winnipeg, Toronto, Montréal and Halifax.

> If You Need Help Related to the Following

- merger information
- additional financial or statistical information
- industry and company developments
- latest news releases or investor presentations

Please Contact Investor Relations

- 1-800-667-4871* (toll free within North America)
- (780) 493-7311 (outside North America)
- fax: (780) 493-7399
- e-mail: ir@telus.com

*Fax-on-demand information available toll free

Investor Relations
30, 10020 – 100th Street NW
Edmonton, Alberta, CANADA T5J 0N5

> Visit Our Internet Site

http://www.telus.com

> TELUS Corporate Office

21st Floor, 3777 Kingsway
Burnaby, British Columbia, CANADA V5H 3Z7
Tel: (604) 432-2151
Fax: (604) 432-2984

> TELUS General Information

1-888-223-0300 (toll free within North America)

> Auditors

Arthur Andersen LLP

1 Formerly Montreal Trust Company

> Mergers and Acquisitions – Shareholder Impact

BC TELECOM AND TELUS CORPORATION MERGER

The common shares of BC TELECOM and TELUS Corporation (dated prior to February 1, 1999) can no longer be traded on the stock exchanges. If you still have a share certificate for either company, you must have it replaced with the new TELUS common voting and non-voting share certificates. Please contact Computershare[1] for instructions. The exchange will occur as follows:

If you are still holding BC TELECOM shares:

- 75% of your BC TELECOM shares will be exchanged for TELUS common voting shares
- 25% of your BC TELECOM shares will be exchanged for TELUS common non-voting shares
- In each case your share exchange will be on a one-for-one basis.

If you are still holding TELUS Corporation shares (dated prior to February 1, 1999):

- 75% of your pre-merger TELUS shares will be exchanged for new TELUS common voting shares
- 25% of your pre-merger TELUS shares will be exchanged for new TELUS common non-voting shares
- In each case your share exchange will be on a one for 0.7773 basis.

For registered shareholders, any fractional shares will be paid by cheque.

QUÉBECTEL

TELUS acquired 70% ownership of QuébecTel on June 1, 2000. If you still hold share certificates of QuébecTel, you must tender your shares to General Trust of Canada for the payment of $23.00 per share. You may contact General Trust of Canada at 1-800-341-1419 or (514) 871-7171.

CLEARNET

If you still hold share certificates of Clearnet Communications, you must tender your shares to Computershare[1] to receive your consideration.

- Take Up Date of October 20, 2000, proration factor of 68.9557% applied to the cash portion of all cash, or cash and share combination elections; Fractional Payout $37.3103 per share; Fair Market Value of TELUS non-voting shares on October 20, $38.70.
- Take Up Date of January 12, 2001, proration factor of 67.5335% applied to the cash portion of all cash, or cash and share combination elections; Fractional Payout $38.1725; Fair Market Value of TELUS non-voting shares on January 12, $38.05.
- If you did not tender your shares under either of the above dates, your share certificates were cancelled on January 12, 2001, pending the deposit of your certificates to Computershare.[1] Since the remaining shares will be deposited from time to time, there is no pooling of preferences possible, hence each deposit will receive the original offer of 50% cash and 50% TELUS non-voting shares. Fractional Payout $38.1725; Fair Market Value of TELUS non-voting shares on January 12, 2001, $38.05.

Additional information on how your shareholdings were affected is available on our Website at www.telus.com.

> Dividend Reinvestment and Share Purchase Plan

Eligible shareholders wishing to acquire additional TELUS common voting shares without fees can take advantage of this plan.

Under the Dividend Reinvestment feature, eligible shareholders can have their dividends reinvested automatically into additional common voting shares.

Under the Share Purchase feature, eligible shareholders can (on a monthly basis) buy TELUS common voting shares (maximum $20,000 per calendar year and minimum $100 per transaction) at the market price without brokerage commissions or service charges.

Information booklets are available from Computershare[1] or see our Website at www.telus.com.

> 2001 Important Dates – Earnings and Dividends

Expected Dividend Record Dates	Expected Dividend Payment Dates	Expected Earnings Release Dates
Mar 9	Apr 1	May 2
Jun 8	Jul 1	Jul 26
Sep 10	Oct 1	Oct 25
Dec 11	Jan 1, 2002	Feb 2002

[1] Formerly Montreal Trust Company

www.telus.com > about TELUS > Investors

The investor's section of the TELUS Website was recently upgraded to provide users with more information and functionality. The changes include improved navigation, the addition of a strategic overview section, frequently asked questions, stock chart information and an e-mail service that alerts subscribers of important announcements and events. Watch our site for more improvements during 2001.

- **NEWS & EVENTS**
  - News Releases
  - Events
  - Stock Quotes
  - E-mail Alerts
  - Investor Fact Sheet
- **INVESTMENT PROFILE**
  - Overview
  - Strategy
  - Executive Leadership Team
  - Corporate Profile
  - Social Responsibility
  - Company History
  - Analyst Coverage
- **SHAREHOLDER SERVICES**
  - Share Exchange
  - Dividend Information
  - Forms
  - Merger & Acquisition Impacts
- **FINANCIAL REPORTS**
  - Annual Reports
  - Quarterly Reporting
  - Notices of Annual Meeting & Information Circulars
  - Public Filings
- **REQUEST MATERIALS**
- **FAQs**
- **CONTACT US**

> The TELUS Corporation Annual and Special Meeting of Shareholders

On Wednesday, May 2, 2001, a multi-site meeting will be held in the following locations:

10:00 a.m. (Pacific Time)
Hotel Vancouver
900 West Georgia Street
Vancouver, British Columbia

11:00 a.m. (Mountain Time)
The Westin Edmonton
10135 – 100 Street
Edmonton, Alberta

1:00 p.m. (Eastern Time)
Metro Toronto Convention Centre
255 Front Street West
South Building
Toronto, Ontario

notes